

# Agenda



## Audit Committee

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Date: Thursday, 22 November 2018

Time: 5.00 pm

Venue: Committee Room 1 – Civic Centre

To: Mr J Baker (Chair) Councillors D Davies, J Guy, J Jordan, L Lacey, H Thomas, K Thomas, H Townsend, R White and D Williams

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### Item

- 1 Agenda yn Gymraeg / Agenda in Welsh (Pages 3 - 4)
- 2 Apologies for Absence
- 3 Declarations of Interest
- 4 Minutes of the Meeting held on 20 September 2018 (Pages 5 - 12)
- 5 Corporate Risk Register (Pages 13 - 82)
- 6 Treasury Management Report (April - September) (Pages 83 - 94)
- 7 Lessons Learned 2017/18 (Pages 95 - 102)
- 8 Wales Audit Office - Final Accounts Memorandum (Pages 103 - 112)
- 9 Call in Head of Regeneration, Investment & Housing - SO24/Waiving of Contract Standing Orders Quarterly Report Reviewing Cabinet/CM Urgent Decisions or Waiving Contract Standing Orders (Pages 113 - 144)
- 10 Internal Audit Plan 2018/19 (Pages 145 - 156)
- 11 Work Programme (Pages 157 - 162)
- 12 Date of Next Meeting - 24 January 2019

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Date of Issue: Thursday, 15 November 2018

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# Agenda

## Pwyllgor Archwilio

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Dyddiad: Dydd Iau, 22 Tachwedd 2018

Amser: 5 y.p.

Lleoliad: Ystafell Bwyllgora, Canolfan Dinesig

At: Mr J Baker (Cadeirydd), Y Cynghorwyr: D Davies, J Guy, J Jordan, L Lacey, H Thomas, K Thomas, H Townsend R White a D Williams

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### Eitem

#### Rhan 1

1. Agenda yn Gymraeg
2. Ymddiheuriadau am absenoldeb
3. Datganiadau o fuddiant
4. Cofnodion y cyfarfod a gynhaliwyd ar 20 Medi 2018
5. Diweddariad am y Gofrestr Risg Gorfforaethol
6. Adroddiad Rheoli Trysorlys
7. Gwersi a Ddysgwyd 2017-18
8. Swyddfa Archwilio Cymru - Cyfrifon Terfynol Memorandwm 2017-18
9. Galw Pennaeth Gwasanaeth i mewn yn dilyn Barn Ymchwiliad Mewnol Anffafriol
10. Cynllun Archwilio Mewnol 2017-18 - Cynnydd (Chwarter 2)
11. Rhaglen Waith
12. Dyddiad y cyfarfod nesaf – 24 Ionawar 2019

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# Minutes



## Audit Committee

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Date: 20 September 2018

Time: 5.00 pm

Present: Mr J Baker (Chair) Councillors H Thomas, H Townsend and R White

In attendance: Laura Campbell (Senior Finance Business Partner), Andrew Wathan (Chief Internal Auditor), Rhys Cornwall (Head of People and Business Change), Silvia Gonzalez-Lopez (Waste Recycling Strategy Manager), Paul Jones (Head of Streetscene and City Services), Dona Palmer (Audit Manager), Robert Squance (Audit Manager), Paul Flint (Senior Performance Management Officer), Owen James (Assistant Head of Finance - Technical and Development), Shaun Powell (Newport Intelligence Hub Manager) and Michele Chesterman (Governance Officer)

Apologies: Councillors D Davies, J Guy, J Jordan, L Lacey and K Thomas

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### 1 **Declarations of Interest**

None.

### 2 **Minutes of the Meeting held on 21 June 2018**

The minutes of the meeting held on 21 June 2018 were submitted.

At the last meeting the Housing and Assets Manager had informed Committee that he had informed the client manager of the issue of double invoices from Newport Norse in order to raise it at the next board meeting in September 2018. The Assistant Head of Finance to contact the Housing and Assets Manager to confirm this had taken place.

The Head of Finance confirmed he had circulated guidance criteria on Urgent Reports as requested at the last meeting.

#### **Agreed:**

To confirm the minutes of the meeting held on 21 June 2018.

### 3 **Corporate Risk Register Update**

Members considered an updated version of the Corporate Risk Register which identified 14 risks; made up of 5 high risks and 9 medium risks. The rating for 8 of the risks had remained the same and 4 risk ratings had been reduced as a result of the mitigating actions in place.

During this quarter the risk rating for Risk 12 – Increasing Risk of Cyber Attack had increased from 9 to 12 following recent Home Office advice. There was a major concern around the increasing risk of cyber attack. The threat of cyber attack had previously been based on the

impacts of fraudulent and illegal activity. However recent Home Office advice suggested that there needed to be further consideration of cyber attack originating from another State or terrorist organisation.

The risk of Brexit – that the financial implications of leaving the European Union have a negative impact on the Council's financial position had a score of 9. The risk remained constant primarily because of the uncertainty until decisions were made next month. The working group was headed by the Strategic Director, Place. The risk was likely to move.

Discussions included the following issues:-

- Some wording, formatting issues and spelling mistakes were referred to.
- Has there been any information from the government to say what is happening with Brexit. The concept seemed difficult to grasp with no-one having total knowledge of implications of it? – The Head of People and Business Change responded that the Council was aware of the potential of Brexit linking in with the Welsh Local Government Association and central government. As far as the other side about impact on business continuity there was a whole suite of mitigating risk falling under civil contingencies planning. There was a tie in with operational delivery. The Head of People and Business Change led on counter terrorism and was Chair of the Prevention Panel and received a lot of information on a regular basis which he fed into the system.
- The Council had lost about 2000 staff over the last 10 years. Are those staff taking that knowledge with them or is the Council taking on board what they used to do and is that a factor, ie staff doing extra work others used to do? – The Head of People and Business Change responded that compared with 6 years ago the Council had 28% less staff in place. A significant portion of that work had been outsourced to Newport Norse, Newport Live. It was not about stripping away 28% of staff but delivering things in a different way. Over that period there had been some voluntary redundancies and some compulsory redundancies. In each case risks had been identified in connection with changes to services. They had not been individually identified in the risk register but the information had been included in the business cases. There was a risk involved with losing any Council resources in terms of the person and knowledge being identified and mitigating factors put in place to reduce the risk. It was not possible to deliver a service with reduced resources without losing staff. The Council had improved its ability to re-organise services that there were not as many single points of failure. Recruitment and retention of specialist staff (Ref 14) had improved. This particularly impacted on Finance and HR. Some restructuring work had been undertaken to manage that risk.

## **Agreed**

1. To note the contents of the Corporate Risk Register Update.

## **4 Audit and Adoption of the 2017-18 Statement of Accounts**

Members considered a report on the results of the external audit of the 2017-18 Statement of Accounts, which highlighted the changes since they were initially published at the end of June 2018 and sought their formal adoption as required by the Accounts and Audit (Wales) Regulations 2014.

The Accounts were published at the end of June 2018 by the Head of Finance and added to the Council's website at that time. The Accounts were available for public scrutiny, as

required by the Accounts and Audit (Wales) regulations 2014, for a 20 working day period ending 10 August 2018. The Council received no requests to review the Accounts from the public during the public scrutiny period.

Auditors had reviewed the 2017/18 Statement of Accounts in detail, and a number of required changes had been identified. The Wales Audit Office's (WAO) accompanying report showed a summary of the agreed changes. Appendix A presented the revised Accounts which members were invited to review and subsequently approve in accordance with the Council's standing orders.

The accounts had been completely audited and the Wales Audit Office ISA260 report was included in the reports pack. Whilst there were a number of amendments made to the accounts following audit, no changes were made to the reported outturn of reserves held by the Council.

There had also been a quality assurance exercise of the financial statements prior to presentation at the Audit Committee. It was acknowledged that WAO had highlighted a number of issues within their ISA260 report, which would be reviewed by the Council and actions put in place to ensure that procedures and processes were in place to address the issues raised.

The report detailed the agreed changes applied to the Statement of Accounts from the original publication through to completion of the audit review. The majority of these related to presentational changes, disclosure notes, some amendments to lines across the comprehensive income and expenditure account, corrections of classification in the nature of expenses note and items relating to Property, Plant and Equipment, all of which had no impact on the bottom line.

There was only one uncorrected misstatement included in the ISA260 report which was the same misstatement which was included in the ISA260 report in 2016/17 – value of Newport Transport Ltd Depot being understated by £376,000. The reason was related to the accounting treatment used by Newport Transport Ltd and those required to be used as per the accounting policy for the group. Due to the small value and complex nature of the transactions that would need to be put through the accounts it had been decided an adjustment would not be made for this.

The Audit had been undertaken earlier this year - the deadline for the 2018/19 draft Accounts was 15 June (signed) and final accounts by 15 September. In 2020/21 the draft accounts would need to be signed by 31 May. Newport Transport had been notified of the earlier deadlines.

Discussions included the following issues:-

- With regards Tredegar House (Page 64/150) does the Council own it? - The Senior Finance Business Partner responded that the Council leased Tredegar House. The Council had a number of collections in heritage, paintings, books but the property was on lease.
- The introduction appeared to be written as spoken not a statement – The Head of Finance responded that it was written in the sense of his personal message which was why it was in that style.
- It was felt there is a lack of consistency with in house style, for example referring to thousands in ks and then 1000s.
- It was felt the wording in Page 92 third bullet point was quite long and confusing – The Assistant Head of Finance noted that this was the wording direct from the joint agreement that went to Cabinet. It was factually correct but could be written differently.

- Page 95 in relation to impact of pension deficit on reserves the passage stating ‘the deficit and liability would not arise in any single year’ was queried. The reality was appreciated but was it technically correct and should it not read ‘in normal circumstances the deficit and liability would not arise in any single year’? – The Head of Finance commented that as it was an ongoing scheme it would not crystallise and that was why it was in there. If Newport City Council were to stop and a successor did not take over it could happen but it was felt national government would then pick up the liabilities in the sector.
- There was still confusion on Friars Walk (page 97 Point 2) ‘at 31/3/2018, following the sale, the Council’s own borrowing was repaid, thereby reducing the short term borrowing value on the balance sheet from c£56.5m to c£5.4m’ – If the report was saying borrowing was repaid the implication was that it would go from £65m to nothing? - The Head of Finance noted that the figures on the balance sheet did not refer to Friars Walk in isolation. It explained Friars Walk in relation to the balance sheet. It did reduce the short term borrowing in relation to Friars Walk but the Council had additional short term borrowing. However it was noted the heading was debtors and borrowing (Friars Walk).
- In relation to Page 137/223 ‘The Group Statement of Accounts and associated notes have been prepared using unaudited draft accounts provided by Newport Transport. The final version of this document will be updated for the final published accounts’ – The final version of this document would be published for the final accounts.

The Wales Audit Office introduced the ISA 260 report. The proposed audit report was scheduled to be signed off by the Auditor General.

The accounts were unqualified or clean opinion – the accounts were true and fair and properly prepared for accounting purposes. It was noted that there had been a good working relationship with Finance with any requested papers supplied on time. Members’ declarations were incomplete or not returned in time for Audit. This did not affect the work of audit.

There was just one uncorrected misstatement – the value of Newport Transport which was the same as in last year’s accounts. It became more complex to amend so it was not worth amending and leaving uncorrected aligning in future years.

Appendix 3 – summary of the higher level amendments made as a result of the audit of accounts was raised for the Committee’s attention. One of the amendments was to bring in the Newport share of the Cardiff Deal.

The faster closing deadlines for the Council were mentioned. Over a couple of years the timeline would come forward by 6 weeks.

Discussions included the following:

- The issue with Newport Depot had been ongoing for two years. It was not understood why the policy was not being aligned – Newport Transport had been notified of the dates next year with the expectation that policy will be aligned by April 2019.
- Thanks to the Finance team for a good job and congratulations to Laura Campbell and her colleagues for excellent work.

**Agreed**



1. To note the contents of the 2017/18 Accounts and the WAO's Financial Statements (ISA260) report on the 2017/18 Accounts and comments.
2. To authorise the Chairman to adopt the Accounts 2017/18 in accordance with the Accounts and Audit (Wales) regulations 2014 and to sign the letter of recommendation.

## 5 **Call in Head of Service to respond to Unsatisfactory Audit Opinions within Streetscene**

Members were reminded that following the presentation of the Internal Audit six monthly update on unfavourable audit opinions in June 2018, the Audit Committee had agreed to call in the Head of Streetscene to provide assurance that action would be taken to make the necessary improvements and how the implementation of actions would be followed up. This was in relation to the audit of the Agency/Overtime – Refuse which resulted in a second Unsatisfactory audit opinion.

The Head of Streetscene noted that he had been called in to Audit Committee just over a year ago in a background of 7 heads of service in 5 years. At last year's Audit Committee he had explained that there would not be a change straight away. The whole area had now been restructured – 4 managers with new job descriptions. The Service Manager, Waste & Cleansing had put together responses to Audit actions. A new Team Manager was in place under the role. The four team managers' roles had been changed with more accountability, more emphasis on the budget, health and safety and compliance. Team manager and supervisor roles had been amended so it was explicit they did not get overtime.

There needed to be some recognition that some of the central policies did not work. Overtime had always been historically high with Saturday working but within that there was some need for overtime – eg bank holidays, trucks breaking down. Overtime had reduced by 80% in the last 2 years which was felt to be a good improvement. However, that has led to issues as there has been a need to employ an additional supervisor as it is not possible to do the work without overtime. Miscollections were going up as there was no overtime which needed addressing.

The budget was a major concern. When the Head of Streetscene started in post the budget was over by £2m. Last year it was broadly level. He was optimistic that good strides had been made over the first year but was also aware of historic problems with his department and had been provided with support to address that. Stability was needed. Progress had been made but there was still a lot to do and it was felt the changes would be made over the next two years.

Discussions included the following:

- What does the Head of Streetscene mean when he says policies were not suitable? - The Head of Streetscene responded by saying perhaps not suitable but a discussion with HR was needed as in some areas some of the policies may need to reflect nuances on direct operational services.
- Policy should be there but as a guide – if overtime is needed as long as there is a budget the policy should enable things to be done. If the policy is stopping the department doing things Audit Committee could provide support.
- It was appreciated that things would take a while to have an effect but the two year timescale was queried. It was noted there were issues in the department but having said that the Head of Streetscene had agreed where the weaknesses were and it

came to a point where the critical items audit had identified could be prioritised? – The Head of Streetscene responded that over the next two years he was still expecting Audit would still be going into areas where not everything was perfect. Areas were being targeted but there was a natural lag but it should be possible to address follow up actions better.

- Are the issues more monetary or systems/people issues? – The Head of Streetscene responded that the issue was that there had been a lot of changes and not all the systems were in place which took time. It was felt there was now a better structure. Now the structure was in place the focus was on systems to get them all working effectively.
- In order to support going forwards the Audit Committee could propose issues being escalated to the Chief Executive in order to provide more support on a day to day basis to stop repeatedly calling in the Head of Streetscene.

### **Agreed**

1. The Service Manager, Waste & Cleansing (SGL) to email a report of responses to Audit actions to democratic services for circulation to Audit Committee.

### **6 Call in Head of Regeneration, Investment & Housing - SO24/Waiving of Contract Standing Orders: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Standing Orders**

This item was deferred until the Audit Committee meeting on 22 November 2018.

### **7 Progress Against Internal Audit Plan 2018/19 - Quarter 1**

Members considered a report on the Internal Audit's progress against the 2018/19 agreed audit plan for the first three months of the year and for information on audit opinions given to date and progress against key performance targets.

The team currently operates with an establishment of 8 audit staff. At the start of the year there were 8 audit staff in the team.

In order to take account of the budget savings contribution and the layering exercise required by senior management following the job evaluation exercise, the Internal Audit team was restructured.

The performance for Quarter 1 2018/19 was summarised:

- a. 20% of the audit plan had been achieved so far which was higher than the profiled target of 10%
- b. The promptness of issuing draft reports (comparing timescale between finalising all fieldwork and issuing the draft report to management) averaged at 3 days which was well below the target time of 10 days.
- c. The promptness of report finalisation (comparing timescale from meeting with client to discuss issues raised in the draft report to issue of finalised report to management) averaged 2 days which was within the target time of 5 days.

Coverage of the plan at this stage of the year was above expectations; the target being 10% for Quarter 1. The team had had very little involvement with special investigations. Although performance may dip throughout the year, historically things had picked up in the final

quarter; this year would depend on sufficient audit resources being available to complete the audit plan. All key financial systems would be reviewed by the year end.

### **Agreed**

To note the progress against the 2018-19 Audit Plan for the first three months of the year.

## **8 Public Sector Internal Audit Standards - External Review**

Members considered a report on the outcome of the external assessment undertaken to ensure compliance with the PSIAS.

The report presented was the external assessor's report on how compliant the Newport City Council's Internal Audit Team was with the PSIAS; a requirement of the Standards themselves. The overall conclusion was that the IA team generally conformed with the PSIAS and the impact of non-conformance was not considered to be significant. The assessment was undertaken by the former Chief Internal Audit of Swansea City Council. An Action Plan had been developed to monitor the progress of further improvements.

The Public Sector Internal Audit Standards (PSIAS) became effective from 1 April 2013 and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside the organisation.

The report from the assessor was attached as Appendix A. Paragraph 3.4 page 286 tabled the standards (over 300). Overall hopefully the Committee could see how the Council is very much compliant. The Assessor indicated some areas where IA can improve in the Action Plan on Page 290. It had not been updated as yet but could be brought back to Audit Committee in six months with an update on actions undertaken.

Discussions included the following:

- The report was generally good but on looking at the recommendations they seemed quite minor. Out of the 21 recommendations are they all minor or are there a couple that need to be addressed? – An update of the Internal Audit Charter was required which would be reviewed, updated and presented to a future Audit Committee. In addition it was recommended that the Chief Internal Auditor should bring the existing process together to form a Quality Assurance and Improvement Programme (QAIP). This was being addressed.
- Was there anything in particular that was a gap? – The Chief Internal Audit noted it was a good result. There were a couple of things such as the way IA dealt with fraud. They are picked up but there isn't a standalone approach for fraud. The external assessment said that a formal evaluation of the fraud risk across the Council should be undertaken including how the fraud risk is managed. The results of the evaluation should be used as part of the annual audit planning process about that.
- The Head of Finance and the Chief Internal Auditor had met to discuss the assessment. There were some things resource levels did not allow but IA were already compliant.

### **Agreed**

- To note the report on the External Assessment of the Council's Internal Audit Team.

9 **SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 1, April - June 2018)**

It was noted that the SO24/Waiving of Contract SOs: Quarterly Report Reviewing Cabinet/CM Urgent Decisions or Waiving Contract SOs (Quarter 1, April – June 2018) was relevant to Item 8 as it was the same Head of Service.

Families First Programme - The Chief Internal Auditor had commented that there was appropriate justification within the report to support the CM's decision to waive the Council's CSOs. However, there was very little justification in the report to support the urgency of the decision.

**Agreed**

1. To defer the item until the Audit Committee on 22 November 2018.
2. Call all in Head of Regeneration, Investment and Housing to discuss this report in addition to Item 8.
3. The Chief Internal Audit to send an email to all heads of service, and Chief Executive specifying criteria for Urgent Reports and that it is not acceptable for Heads of Service to come to Audit Committee unprepared.

10 **Work Programme**

Members' attention was drawn to the Work Programme.

**Agreed**

To note the Work Programme.

The meeting terminated at 7.00 pm.

# Report

## Audit Committee

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### Part 1

Date: 22 November 2018

Item No: 5

**Subject** Corporate Risk Register Update

**Purpose** To present an update of the Corporate Risk Register

**Author** Head of People and Business Change

**Ward** All

**Summary** The corporate risk register identifies risks that may prevent the council achieving the objectives set out in the Corporate Plan and enables the council to continue to provide services to the citizens and communities of Newport. Robust management of these risks is imperative to the realisation of the council's objectives.

The corporate risk register helps the council to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs by considering the sustainable development principle set out in the Wellbeing of Future Generations (Wales) Act 2015.

At the end of quarter 2 there were 14 risks identified in the risk register made up of 5 high risks and 9 medium risks. At the end of this quarter Risk 14 (Recruitment of specialist staff) was closed, the risk rating for Risk 6 (Medium Term budget) increased from 16 to 20 due to budget pressures and Risk 2 (Capacity & Capability) reduced from 12 to 9 following the implementation of the Talent Management Framework and Management in Action course. All remaining 11 risk ratings remained the same in the last quarter.

At the next quarter three report there will be a re-evaluation of all risks including the risks and mitigations relating to Brexit and a new risk relating to the city centre security and safety.

**Proposal** Cabinet is asked to consider the contents of the Corporate Risk Register and request regular updates regarding the planned mitigating actions.

**Action by** Chief Executive, Strategic Directors and Heads of Service

**Timetable** Immediate

This report was prepared after consultation with:

- Audit Committee
- Corporate Management Team
- Head of Law and Regulation
- Head of People and Business Change
- Head of Finance

**Signed**

## Background

Newport City Council's Corporate Plan 2017-22 has identified its 4 Strategic Themes (Modernised Council, Thriving City, Resilient City and Aspirational People) and 20 commitments to deliver by 2022. These commitments are also vital in supporting the Newport Well-being Plan. Therefore, it is essential that the Council has an effective Risk Management Strategy and Register to manage and monitor those risks, which could prevent the Council from achieving its objectives.

### 1. Risk Management Strategy

The Corporate Risk Management Strategy enables the Council to effectively identify, assess and manage risks, which pose a threat and an opportunity to its strategic objectives and commitments. As part of the Welsh Government's Well-being Act and 5 ways of working (Long Term, Collaboration, Prevention, Integration, Involvement) the Strategy aims to ensure that risks and opportunities are managed effectively with appropriate mitigating actions taken by the Authority.

All corporate level risks and their mitigating actions are managed through the Council's Management Information Hub. All risks identified in the Council's Corporate Risk Register are owned by the Council's Strategic Directors. Risk mitigation actions are allocated to Heads of Service and Service Managers to manage and monitor on a regular basis.

Below the Council's Corporate Risk Register sits other risk management activities, which are managed through their own governance processes and control frameworks. Escalation processes are in place to for potential corporate wide risks to be escalated into the Corporate Risk Register. These activities include:

- **Programme / Project Risk Management** – managed through the programme / project boards;
- **Civil Contingencies (emergency planning and business continuity)** – Managed through People & Business Change service area and the Gwent Local Resilience Forum;
- **Newport Well-being Plan / Partnership risks** – managed through the One Newport Public Services Board and supporting delivery boards;
- **Newport Council Service Area risks** – Managed through their Senior Management Boards;
- **Information Governance Risk** – managed through the Council's Information Governance Board;
- **Health & Safety** – managed by the Council's Health & Safety team and service areas.

### 2. Risk Management Assurance

All risks identified in the Council's Corporate Risk Register are subject to quarterly reviews and are reported to the Council's Audit Committee. The Audit Committee's role is to ensure that the corporate governance, internal control and risk management arrangements are operating effectively and efficiently. The Council's Internal Audit team delivers a risk-based plan to provide ongoing assurance of the Council's corporate governance, internal control and risk management arrangements. Quarterly updates on the delivery of the plan and assurance over the Council's systems and processes are provided to the Council's Audit Committee with an overall assurance statement provided at the end of every financial year.

### 3. Summary of risks in this report

At the end of quarter 2 there were 14 corporate risks consisting of 5 high risks and 9 medium risks. The risk mitigation actions identified for each risk is imperative for outlining how these risks are managed and enable the Council achieve its objectives. Appendix 1 of this report provides a summary of the risk register and movement of risks in the last 4 quarters. During quarter 2, there has been three changes to the Corporate Risk Register:

- **Risk 14 (Recruitment & Retention of Specialist staff)** – This risk has now been closed because of the completion of the two mitigating actions assigned to the risk. It is also recognised that Risk 2

(Capacity & Capability to meet Council's objectives) is also managing aspects in relation to workforce planning, succession planning and the Council's Talent Management Framework.

- **Risk 6 (Balancing of the Council's Medium Term Budget)** - It is recognised by the council that there are still significant challenges in balancing the 2019/20 budget and delivering the medium term plan because of the ongoing demand pressures, pay awards and funding challenges. As a result of these challenges the impact of this risk has been increased to reflect the importance of setting a balanced budget.
- **Risk 2 (Capacity and Capability to meet the Council's Objectives)** – During quarter 2, the Council launched 2 key programmes: Talent Management Framework and the Management in Action course for all 350 managers. Both of these will enable the Council to provide its existing and future managers with the capability to deliver its objectives. As a result of this work it was agreed to reduce the risk score from 12 to 9.
- **Risk 4 (Brexit)** - The Council has been in discussions with the WLGA and is also in the process of undertaking a detailed exercise to identify any gaps across the organisation, which could be directly or indirectly affected by Brexit over the next 5 years. The outcome(s) of this work will enable us to reassess the risk and continue to put in place the necessary mitigation actions, which will be reported at the quarter 3 update.

All of the remaining risks have remained at the same risk level. Appendix 2 contains the detail and planned mitigating actions for each risk. These take the form of screenshots from the Council's Management Information Hub.

This forms the quarter 2 update to end of September 2018. At the next quarter three report there will be a re-evaluation of all risks including the risks and mitigations relating to Brexit and city centre security and safety.

### Financial Summary

There are no direct costs associated with this report.

### Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
The Council does not achieve its objectives as corporate level risks are not adequately managed and monitored.	M	L	Risk Management Strategy has been adopted and mechanisms are in place to identify, manage and escalate emerging and new risks / mitigation strategies.	Directors, Heads of Service and Performance Team

\* Taking account of proposed mitigation measures

### Links to Council Policies and Priorities

Robust risk management practices increase the chances that all of the council's priorities and plans will be implemented successfully

### Options Available and considered

1. To consider the contents of the Corporate Risk Register and request regular updates
2. To request further information or reject the contents of the risk register



## **Preferred Option and Why**

1. To consider the contents of the Corporate Risk Register and request regular updates, this will give the Cabinet oversight of the main overarching risks that the council faces in delivering the objectives of the corporate plan.

## **Comments of Chief Financial Officer**

There are no direct financial implications arising from this report. The corporate risk register forms an important part of the governance and budget setting arrangements for the council and the risk register is used to guide the internal audit plan.

## **Comments of Monitoring Officer**

There are no specific legal issues arising from the report. As part of the Council's risk management strategy, the corporate risk register identifies those high-level risks that could impact upon the Council's ability to deliver its corporate plan objectives and essential public services. Although Audit Committee are responsible for reviewing and assessing the Council's risk management, internal control and corporate governance arrangements, the identification of corporate risks within the risk register and monitoring the effectiveness of the mitigation measures are matters for Cabinet.

## **Comments of Head of People and Business Change**

Risk Management in the Council is a key area to implementing Wellbeing of Future Generations Act (Wales) 2015. The Corporate Risk Register enables the Council to capture, manage and monitor those risks, which could prevent the achievement of the objectives in the Corporate Plan and the Wellbeing plan. The risks and the mitigating actions identified in the Corporate Risk Register are subject to ongoing assessment, which also enables the Council to identify any new and emerging risks.

## **Comments of Cabinet Member**

The Chair of Cabinet has been consulted and has agreed that this report goes forward to Cabinet for consideration.

## **Local issues**

None

## **Scrutiny Committees**

Audit Committee have a role in reviewing and assessing the risk management arrangements of the authority. Meetings with the committee have resulted in some changes to the processes used to compile and update the risk register, leading to clarity of detail within the report.

## **Equalities Impact Assessment**

Not applicable.

## **Children and Families (Wales) Measure**

Not applicable.

## **Wellbeing of Future Generations (Wales) Act 2015**

Risk management is a key area to implementing the Wellbeing of Future Generations Act (Wales) 2015. The council must ensure that it considers risks in the short, medium and longer term and that it manages risks in a manner that protects current service delivery and communities as well as considering the longer term impact. It supports the delivery of the wellbeing objectives that are identified in the council's

Corporate Plan by considering the risks to delivering these objectives and by defining and monitoring actions to mitigate those risks.

The Corporate Risk Register helps the council to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs by considering the sustainable development principle set out in the Wellbeing of Future Generations (Wales) Act 2015.

### **Crime and Disorder Act 1998**

Not applicable.

### **Consultation**

As above, the Risk Register is also considered by Audit Committee

### **Background Papers**

Corporate Risk Register, Cabinet, 23<sup>rd</sup> May 2018

Corporate Risk Register, Audit Committee, 24<sup>th</sup> May 2018

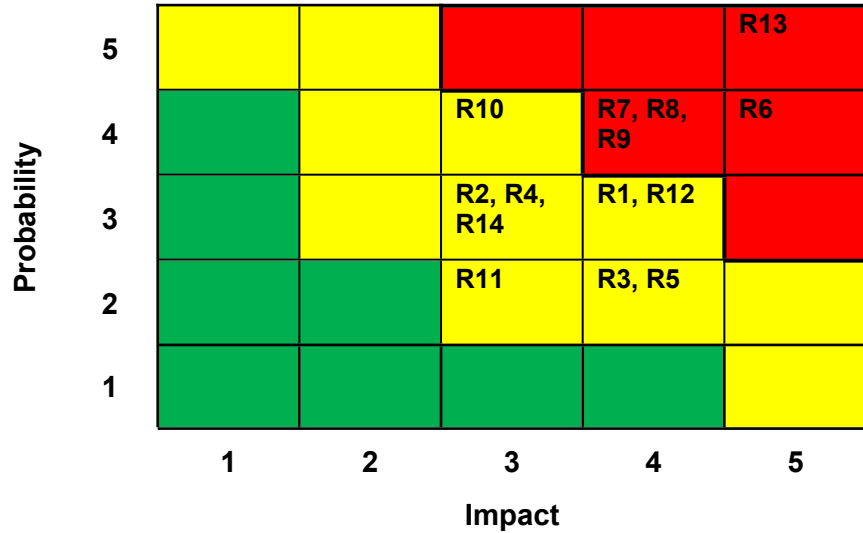
Corporate Risk Register, Cabinet 19<sup>th</sup> September 2018

Corporate Risk Register, Audit Committee, 20<sup>th</sup> September 2018

Dated: October 2018

Appendix 1

Quarter 2 Corporate Risk Heat Map



Corporate Risk Heat Map Key	
R1 – Legislative Requirements	R8 – Risk of Stability of External Suppliers
R2 – Capacity and Capability to meet the Council’s Objectives	R9 – Increasing pressure on Existing Infrastructure
R3 – Safeguarding	R10 – Climate Change
R4 – Brexit	R11 – Increasing demands on IT Services and the Modernised Agenda
R5 – In Year Financial Management	R12 – Increasing Risk of Cyber Attack
R6 – Balancing the Council’s Medium Term Budget	R13 – Asset Management Carriageways and Buildings
R7 – Increased Pressure on Demand Led Services	R14 – Recruitment and retention of Specialist Professional staff

**Risk Score Profile between Quarter 3 2017/18 and Quarter 2 2018/19**

<b>Risk Position</b>	<b>Risk No. - Description</b>	<b>Risk Score Quarter 3 2017/18</b>	<b>Risk Score Quarter 4 2017/18</b>	<b>Risk Score Quarter 1 2018/19</b>	<b>(Current) Risk Score Quarter 2 2018/19</b>
1	<b>R13 – Asset Management: Carriageways and Buildings.</b>	20	25	25	25
2	<b>R06 – Balancing the Council’s Medium Term budget.</b>	16	16	16	20
3	<b>R09 – Increasing Pressure on Existing Infrastructure.</b>	16	16	16	16
4	<b>R07 – Increased pressure on demand led services</b>	16	16	16	16
5	<b>R08 – Risk of stability of external suppliers</b>	20	20	16	16
6	<b>R10 – Climate Change</b>	12	12	12	12
7	<b>R01 – Legislative Requirements</b>	12	12	12	12
8	<b>R12 – Increasing risk of Cyber Attack</b>	9	9	12	12
9	<b>R02 – Capacity and capability to meet the Council’s Objectives.</b>	12	12	12	9
10	<b>R04 – Brexit</b>	9	9	9	9
11	<b>R05 – In Year Financial Management</b>	12	9	8	8
12	<b>R14 – Recruitment and Retention of specialist Professional Staff</b>	12	12	9	9
13	<b>R03 – Safeguarding</b>	8	8	8	8
14	<b>R11 – Increasing demands on IT services and the Modernised agenda</b>	6	6	6	6

Appendix 2.

Corporate Risks

## RISK 01 - Legislative Requirements

Responsible Officer	Chief Executive
Lead Cabinet Member	Leader of the Council The Deputy Leader and Cabinet Member for Assets and Member Development

Risk rating prior to mitigation

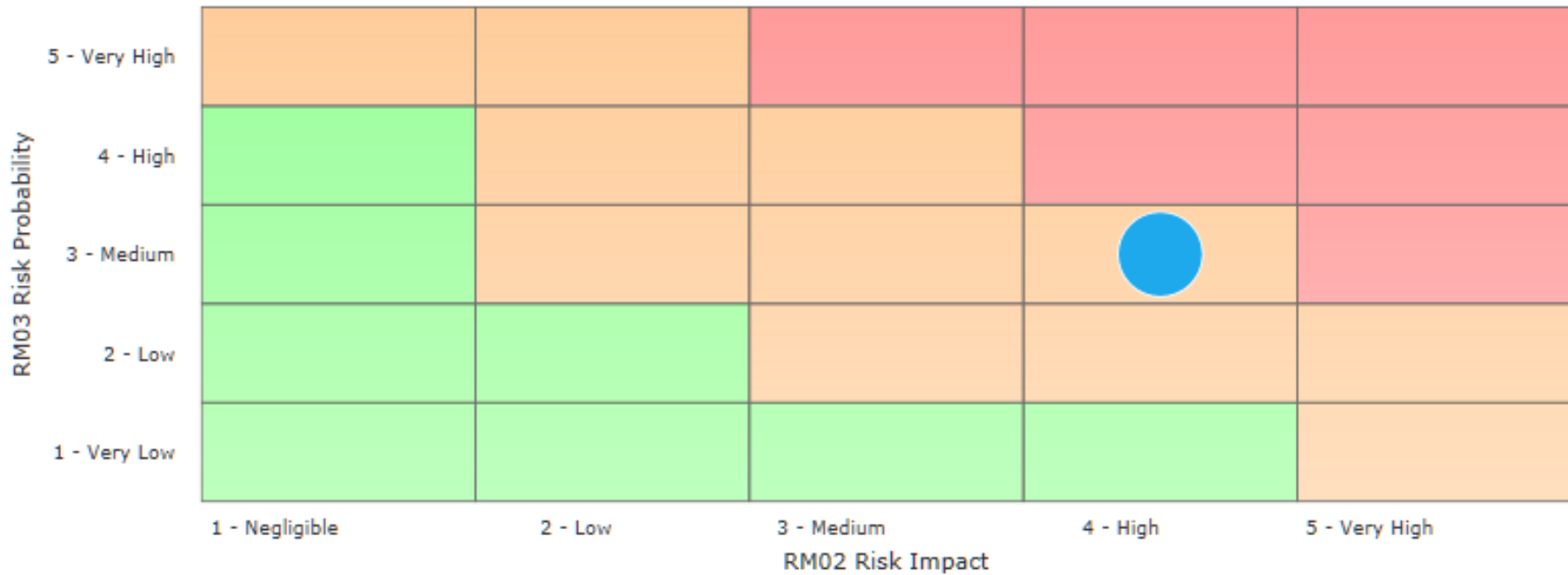
August 2015 - high (16)

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Risk	Description	Sep 2018	
		Identified	Links To
RISK 01 - Legislative Requirements	That new legislative requirements potentially place significant duties on the Authority that it cannot fulfil (resulting in adverse judgements from regulators, significant fines and potential court proceedings and/or existing services are compromised), includes Well-being of Future Generations Act.	Jun 2015	<ul style="list-style-type: none"> <li>Service Planning</li> </ul>

### Risk 01 - Description/Rationale

- That new legislative requirements potentially place significant duties on the Authority that it cannot fulfil (resulting in adverse judgements from regulators, significant fines and potential court proceedings and/or existing services are compromised), includes Well-being of Future Generations Act.
- Risk of not meeting increasingly challenging nationally set waste management targets.
- The Welsh Government is consulting on local government reform, it is likely that the Welsh Government will repeal or change the Local Government Measure 2009 which will mean changes to the way the council plans and manages its services.
- Welsh Government drive towards regionalisation and collaborative working - including possible legislation.
- Welsh Language Act - gaps in service provision remain, and this remains a reputational risk for the council.
- The General Data Protection Requirement (GDPR) enhances data protection requirements for bodies and offers further protection to individuals. Whilst similar to previous data protection legislation, there are new requirements which the Council will need to meet.



Risk 01 - Assessment Date & Score					
Series					
	Risk Score				
	Risk Rating				
		<b>Dec 2017</b>	<b>Mar 2018</b>	<b>Jun 2018</b>	<b>Sep 2018</b>
> RM01 Risk Rating	Risk Score	12	12	12	12
	Risk Rating	●	●	●	●

Sep 2018	
Risk - Direction of Risk	Direction
As reported previously there remains significant pressure on the Council to implement the new duties required by legislation and compliance standards. Significant work has been completed, but there are resource implications and remain major risk factors.	➔

## Planned Mitigation

Mitigating Action

All 12 selected

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		Sep 2018
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 01.01	Welsh Language Act: Strategic Equalities Group monitors implementation supported by Welsh Language Group.	<p>To reflect the significance of the Equalities Agenda the Strategic Equalities Group (SEG) now meets every other month, engaging with a different Equality Objective in each meeting. The group continues to be chaired by Deputy Leader Mark Whitcutt, and also has ongoing representation from Trade Unions, Senior Management, and a members of the political opposition.</p> <p>The Welsh Language Implementation Group continues to be an internal working group charged with the responsibility of delivering and implementing the Welsh Language Standards across the authority. The group is facilitated by the authority's Welsh Language Officer and enjoys broad support from senior management from across the authority.</p>
<input checked="" type="checkbox"/> Risk 01.02	Welsh Language Act: Action plans in place and being monitored. This has shown significant progress.	Welsh Language Action Plans are still being monitored and returned to the Welsh Language Officer on a regular basis. A review of these plans since the implementation of the standards demonstrates a broad move towards compliance with the Welsh Language Measure and subsequent Welsh Language Standards.
<input checked="" type="checkbox"/> Risk 01.03	Welsh Language Act: Progress includes increasing awareness of the Welsh Language Standards across the authority. Leaflets, posters, desk prompts and video available.	The authority has continued to promote awareness of Welsh Language Standards and has publicized the availability of guidance on the intranet and staff notice boards. Over the coming year, we will be looking to refresh this material to ensure we keep momentum in regards to Welsh Language Standards moving forward.



	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 01.04	Welsh Language Act: Partnership arrangements with another Council now in place and £280k budget allocated, additional resources now available to support service areas and work such as website development now underway.	Translation arrangements via an SLA with Cardiff Council are now in place and are working effectively. Cardiff Council's translation unit has proved able to accommodate the specific requirements of the authority, particularly in regards to the translation of the Newport City Council's Corporate Website. Access to Cardiff's translation portal has been decentralized and made available to council staff and a guidance document on using the portal has been produced.
<input checked="" type="checkbox"/> Risk 01.05	Welsh Language Act: 5 year strategy developed through consultation.	<p>The authority has demonstrated good progress in delivering on many of the actions established within the 5 Year Welsh Language Strategy. The authority has refreshed its promotional materials through the launched the its 'Benefits of Bilingualism' campaign.</p> <p>The authority also successfully led on a grant application to encourage BAME engagement with the Welsh Language, a project which has been highlighted by the Welsh Language Commissioner's Office as being good practice which should be emulated by other local authorities.</p>
<input checked="" type="checkbox"/> Risk 01.06	Future Generations Act: Cabinet reports updating members on progress and approach. Awareness raising sessions with officers and members completed and work with consultants to develop organisational readiness for the Act underway.	Further awareness raising sessions with senior managers and members are planned. Work on the mid year service plan reviews has reinforced the five ways of working. as have reviews by Wales Audit Office particularly around corporate plan progress. The annual report has been compiled and published supporting the developing work on wellbeing objectives.
<input checked="" type="checkbox"/> Risk 01.07	Future Generations Act: Formal report, service plan and business case templates updated to ensure the principles of the Act are reflected in all decision making.	All report templates, service plans and business case templates updated to reflect the principles of the Act. Mid year service plan reviews will reinforce this. Head of People and Business Change comments on formal reports consider the five ways of working of the WFG Act.

	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 01.08	Future Generations Act: Public Services Board established with agreed Terms of Reference, formal meetings are held at least quarterly.	Formal PSB meetings take place on a quarterly basis, focus currently on delivery of the Well-being Plan published May 2018. Representation of all sectors are involved in delivery of the plan although formal performance reporting has not yet commenced.
<input checked="" type="checkbox"/> Risk 01.09	Future Generations Act: Draft Wellbeing Assessment in place in conjunction with the assessment required for the Social Services Act. Work being undertaken on a Gwent basis to inform the Wellbeing Assessment and Plan - funding secured from Welsh Government to support this work.	Wellbeing assessment published and will be reviewed this year. Work programme reported to PSB, behind schedule owing to resource commitments. Development work with colleagues across the Gwent local authorities through the GSWAG officer group.
<input checked="" type="checkbox"/> Risk 01.10	Future Generations Act: Development of wellbeing objectives finalised, and aligned with performance reporting.	First combined annual report has been received by Cabinet. Scrutiny are also reviewing progress against the corporate plan and how this is reported - this will incorporate wellbeing objectives.
<input checked="" type="checkbox"/> Risk 01.11	Waste Management Legislation/targets: We commenced new contract last week with trade waste diverted for sorting to GD Environmental Services. Dates this financial year run from August 9th 2017 through to March 31st 2018 to divert approx. 2500 tonnes this year.	With standard processes in place, plus diversion of municipal waste for sorting is in place and increased tonnage for recycling from different City Services departments, all is on track to meet the recycling targets in 18/19. Proposals to further increase recycling performance in order to meet an increased target of 64% for 19/20 have been included as part of the waste strategy proposal, currently being considered for approval
<input checked="" type="checkbox"/> Risk 01.12	General Data Protection Requirement (GDPR): The Council is ensuring compliance through the Information Governance Group and a cross-organisation Task and Finish Group, making recommendations and changes as required.	Good progress in relation to General Data Protection Regulation (GDPR) made by GDPR Task and Finish Group. Publication of privacy notices for services areas and general information published at <a href="http://www.newport.gov.uk/privacynotice">www.newport.gov.uk/privacynotice</a> . Data Protection Officer role formally assigned to Digital Services Manager post. Further work on GDPR being progressed as part of what will become the on-going Data Protection group.

## RISK 02 - Capacity and Capability to Meet the Council's Objectives

Responsible Officer	Chief Executive
Lead Cabinet Member	Cabinet Member for Community and Resources

Risk rating prior to mitigation

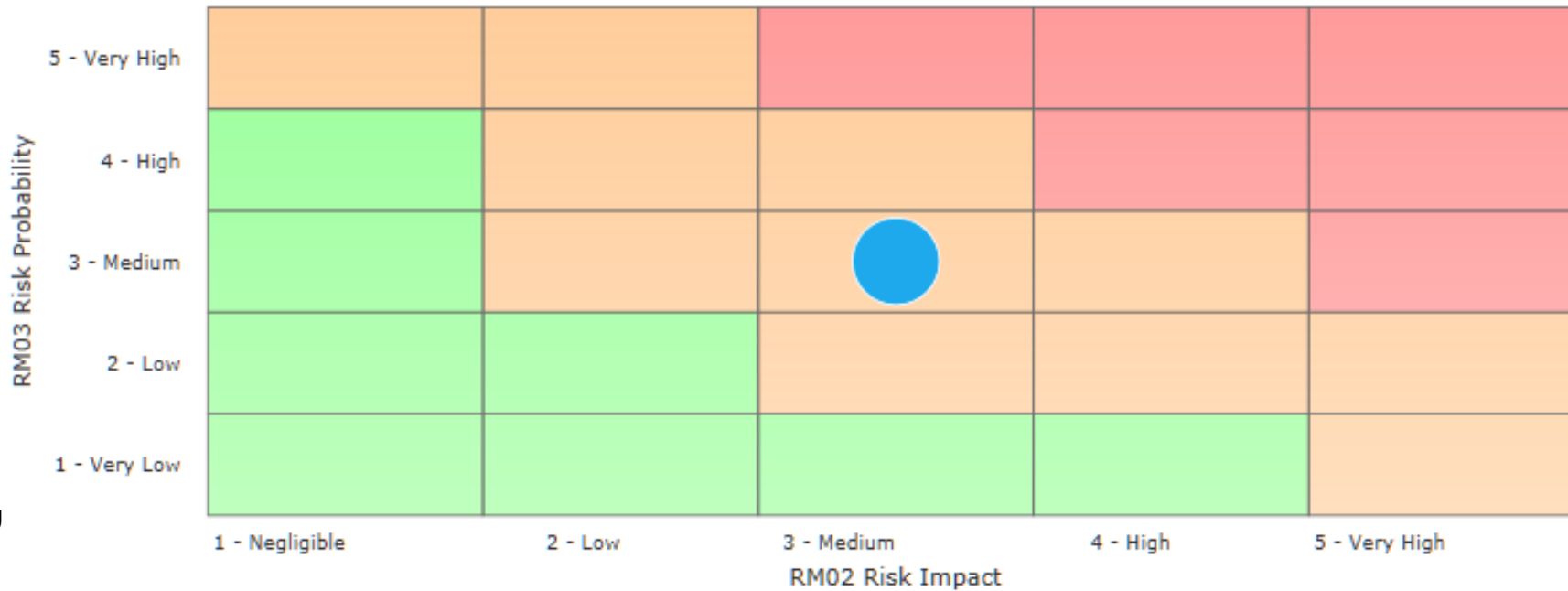
August 2015 - Medium (12)

Risk	Description	Sep 2018	
		Identified	Links To
RISK 02 - Capacity and Capability to Meet the Council's Objectives	That there are not skills and or capacity within the workforce to deliver both operational services and also the pace of change needed to modernise services and balance the budget.	Jun 2015	<ul style="list-style-type: none"> <li>▪ Corporate Plan</li> <li>▪ People and Business Change Service Plan</li> </ul>

### Risk 02 - Description/Rationale

That there are not skills and or capacity within the workforce to deliver both operational services and also the pace of change needed to modernise services and balance the budget.

There are continued capacity and capability gaps across the council; these are more prevalent in some areas than others. Although there are a number of actions (see below) that are being undertaken to remediate this situation, there are still risks going forward which will potentially exacerbate this current situation; these include further required financial savings and issues with recruiting to key position.



Risk 02 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Risk Score	12	12	9	9
	Risk Rating	●	●	●	●

Sep 2018	
Risk - Direction of Risk	Direction
	➔

## Planned Mitigation

Mitigating Action

4 selected

	Sep 2018	
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 02.01	People and Business Change will pilot career pathway planning in Autumn 2017 to role model to other service areas.	Since the restructure we have embarked on a process to develop the career pathways across HR services. This is anticipated to be completed by the end of December 2018 followed by wider roll out in 2019.
<input checked="" type="checkbox"/> Risk 02.02	Pilot taking place in Education Services for the roll out of greater NVQ/ILM opportunities for those in the workplace wanting to enhance current skill level. Intention to offer to wider workforce in 2017 linked to workforce planning for each service area.	Other service areas have taken advantage of completing NVQ qualifications since 2017 and wherever possible, requests are supported.
<input checked="" type="checkbox"/> Risk 02.03	Mandatory training will be identified for each post and linked to job descriptions to set out the expectation of ability, skill and experience at the point of recruitment and to form a development path throughout induction, probation and longer term.	Work has not yet started on this activity but it is anticipated that progress will be updated in the next quarter.
<input checked="" type="checkbox"/> Risk 02.04	Additional Investment in Project Management and business change resources.	The organisation has changed its governance arrangements to embed change and innovation within Boards delivering the Corporate Plan and Innovation Programme. The role of project management is changing within this context and responsibility has been broadened to increase capacity, with HOS directly responsible for delivery of change and innovation, supported by a re-structured professional HR provision and other corporate services. This will ensure greater resilience over time and will be monitored.

	<b>Planned Mitigation</b>	<b>Risk - Action Status/Control Strategy</b>
<input checked="" type="checkbox"/> Risk 02.05	Coaching, shadowing and mentoring opportunities delivered as part of the change programme.	The 2 day coaching programme remains popular and is booked for November, with ILM offered post course. The Newport Manager Network will be considering ways in which to develop coaching and mentoring across senior leadership. A mentoring network will be established across the organisation for those employees looking for a mentor in early 2019.
<input checked="" type="checkbox"/> Risk 02.06	Specific business support and training provided for business change, project and program management, continuous change and specific tools including business case development and project management.	The organisation has invested in a Talent Management Programme to develop the skills of management tiers in delivering the changes required to meet the financial challenge. This will develop over 300 hundred staff and improve leadership, management and programme delivery skills.
<input checked="" type="checkbox"/> Risk 02.07	People service plan to heavily focus on workforce planning and OD for next 12 months.	One of the key OD interventions has commenced in September 2018. The Talent Management Framework was approved by SLT and the first element, Management in Action, has started roll out of 350 managers accessing leadership development. 4 employees applied for and were selected to take part in the first cohort of the MBA in Emerging leadership and have started their studies. Two other elements - coaching and mentoring, and job shadowing opportunities are due to follow.

# RISK 03 - Safeguarding

Responsible Officer	Strategic Director - People
Lead Cabinet Member	Cabinet Member for Social Services

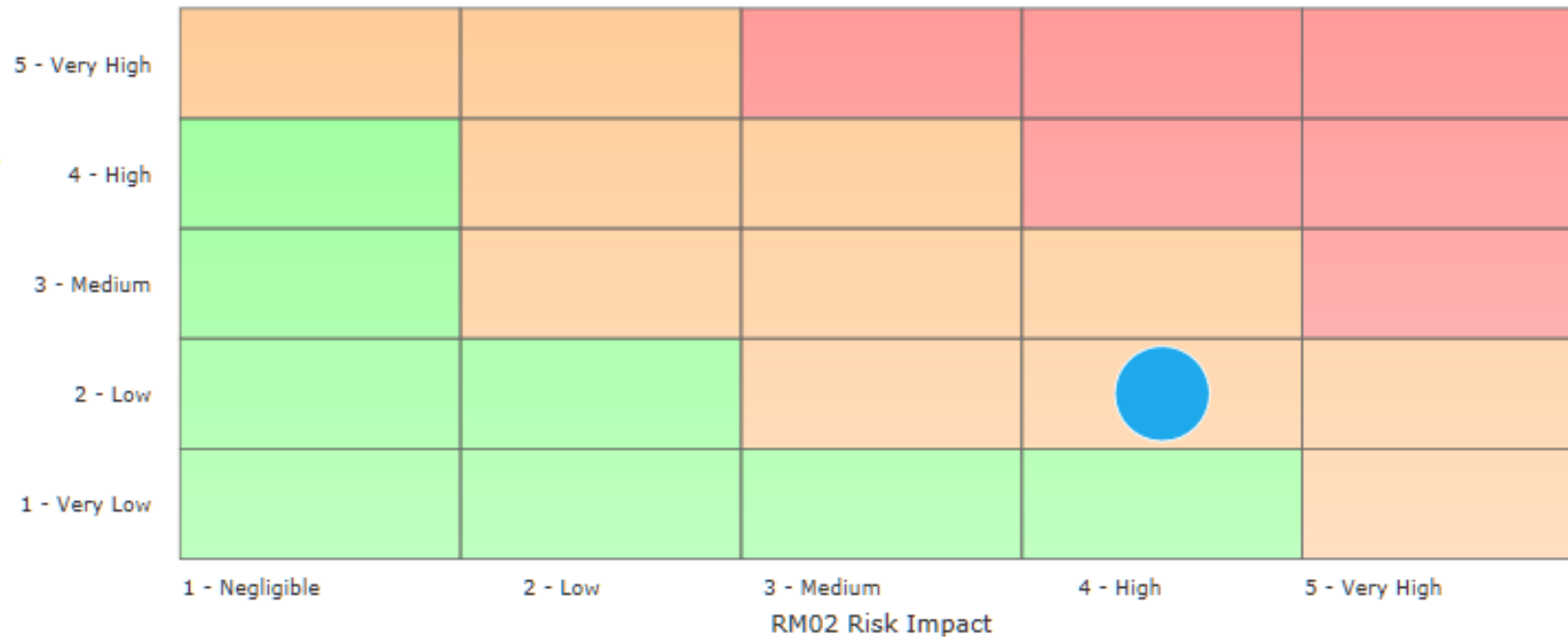
Risk rating prior to mitigation

March 2017 - Medium (8)

Risk	Description	Sep 2018	
		Identified	Links To
RISK 03 - Safeguarding	That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm	Jun 2014	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Service Planning</li> </ul>

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RM03 Risk Probability



Risk 03 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Risk Score	8	8	8	8
	Risk Rating	●	●	●	●

Sep 2018	
Risk - Direction of Risk	Direction
The risk score for Safeguarding remains unchanged for Quarter 2 following an email from the Strategic Director of People dated 23/10/2018 (See attached). Since the last quarter update, 2 actions have now been closed but 3 new actions have been created and approved by the Strategic Director of People.	→

### Planned Mitigation

Object Measure Name

		Sep 2018
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 03.01	Safeguarding Action Plan agreed and implementation underway.	This action has now been implemented. Close mitigating action.
<input checked="" type="checkbox"/> Risk 03.02	Continuous review of policies and procedures.	This action has now been implemented. Close mitigating action.
<input checked="" type="checkbox"/> Risk 03.03	Raising awareness of policies and procedures with staff.	<p>Safeguarding Strategy has been drafted.</p> <p>Policies have been drafted &amp; ratified - these need to be uploaded onto the intranet. Plan is to re-launch Safeguarding policies once on the intranet to raise awareness and notify staff where they are held.</p> <p>Social care staff are also directed to the Gwent Safeguarding website for additional guidance.</p> <p>We are currently in the 2nd phase of the Safeguarding Hub pilot. The pilot phase will continue until February 2019.</p>



	<b>Planned Mitigation</b>	<b>Risk - Action Status/Control Strategy</b>
<input checked="" type="checkbox"/> Risk 03.04	Partnership working.	<p>Children Safeguarding, Adult Safeguarding, Police, IDVA, Prevention Services are all partners of the Safeguarding hub. Education will be joining w/c 1st October, with additional police resource to gather immediate lateral information before informing the schools of a domestic incident. Incidents will be reported to the hub and RAG rated and forwarded to schools. Due to the success of the safeguarding Hub Housing, Probation &amp; YoS want to join and be co-located - currently investigating suitable premises &amp; options.</p> <p>The Local Safeguarding Network meets every 6wks. Safeguarding practitioner events are held and this addresses all local issues. Practitioner events are open to all professionals within Newport who want more information. Information is shared from Local Authorities and care providers.</p>
<input checked="" type="checkbox"/> Risk 03.05	Establishment of Safeguarding Champions across the service areas.	Rollout Safeguarding Champions across all service areas to specifically address all safeguarding information e.g. duty to report concerns, safe recruitment, general support.
<input checked="" type="checkbox"/> Risk 03.06	Review Schools DBS procedure.	Schools DBS checks are currently completed on employment & then only if someone changes post/school. It has recommended that reviews to take place every 3-5 yrs to allow for catch up. HR currently scoping costs etc.
<input checked="" type="checkbox"/> Risk 03.07	Safeguarding Training to be provided to Council Members and staff	Training sessions have been held with members. Training in-house and Regional Safeguarding Boards for both Adults & Children. Safeguarding Champions have been tasked with raising awareness across all service areas. Will be looking into e-learning as part of the induction. All members have to complete Ask & Act e-learning, considering how this can be conducted for why safeguarding is important for everyone.

# RISK 04 - Brexit

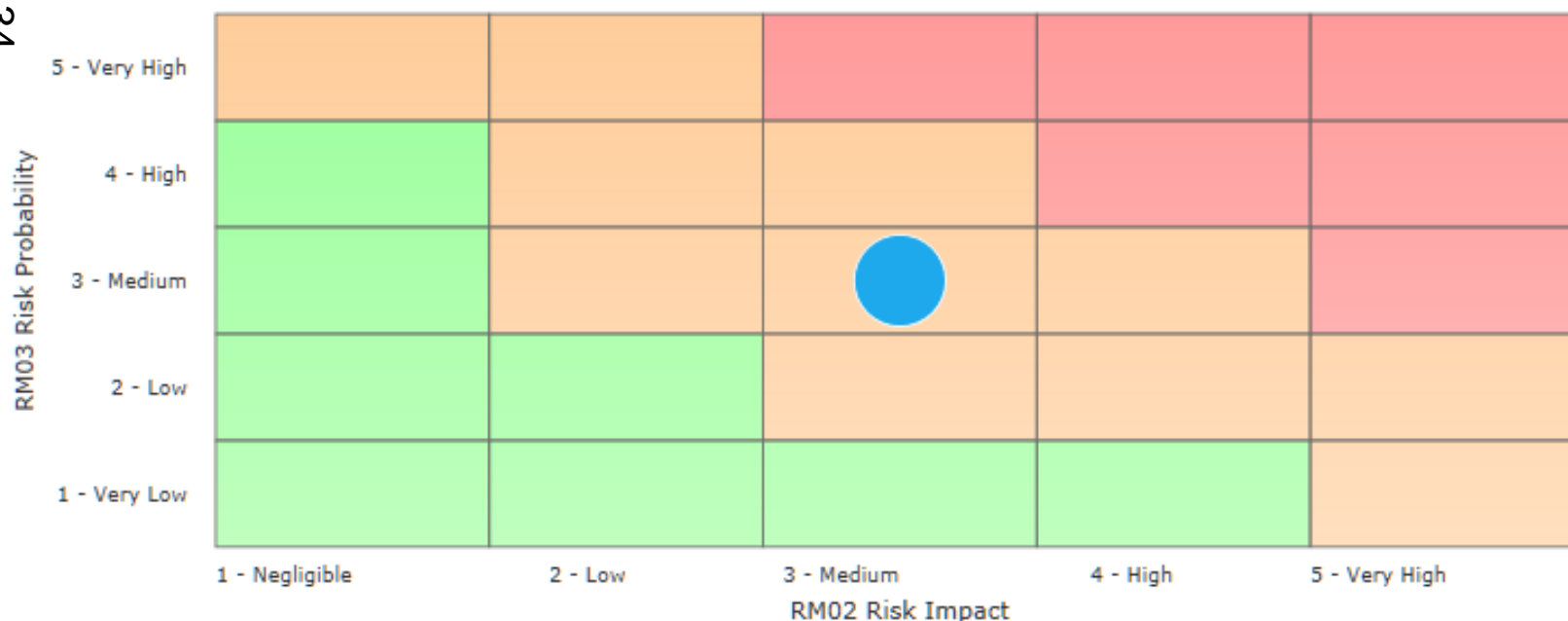
Responsible Officer	Chief Executive
Lead Cabinet Member	Leader of the Council

Risk rating prior to mitigation

August 2017 - Medium (9)

Risk	Description	Sep 2018	
		Identified	Links To
RISK 04 - Brexit	That the financial implications of leaving the European Union have a negative impact on the councils financial position.	Jun 2016	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Service Plans</li> </ul>

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Risk 04 - Assessment Date & Score					
Series					
Actual		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Actual	9	9	9	9
	Risk Rating	●	●	●	●

Sep 2018	
Risk - Direction of Risk	Direction
Work has been ongoing with the WLGA to better understand the impact of Brexit on the Council. As there is still uncertainty about the direction which the UK will go the score will remain the same.	→

### Planned Mitigation

Sep 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
Page 35 ☑ Risk 04.01	This needs to be monitored carefully. The result of the referendum in June 2016 has resulted in further uncertainty for the overall financial outlook for the UK. This may have an impact on future funding for the council. (see risks 5 and 6).	As the outcome of the UK position as to whether a 'Hard' brexit or 'Soft' brexit will be the preferred model there still remains uncertainty over the financial impact which Brexit will have on the Council's financial position in 2019/20 and beyond. Collaboration is still ongoing between the Council, the WLGA and other Gwent Local Authorities in developing appropriate strategies to manage any financial impact on the Council. Work with the Council's Finance Service Area is ongoing to examine the potential financial impacts on the Council services.
☑ Risk 04.02	A good deal of our activity is also guided by EU regulation. It remains unclear when the UK will formally exit the EU and how these regulations may change.	The UK government has initially indicated that any existing EU regulation passed now and during the transition period will be passed into UK law. However, there will remain some uncertainty until the UK government has agreed its final position. The Council will continue to work in accordance with EU regulations until further direction is received from the UK Government.
☑ Risk 04.03	This remains uncertain, further discussion and engagement from the Welsh Government and UK Government is needed to confirm timescales.	This area remains under development in line with central government advice, however the Council has identified key risks as community cohesion, potential for loss of key businesses, congestion (port), staff recruitment and retention, and impacts on local government budget settlements.

## Risk 05 - In Year Financial Management

Responsible Officer	Chief Executive Directors Heads of Service
Lead Cabinet Member	Leader of the Council

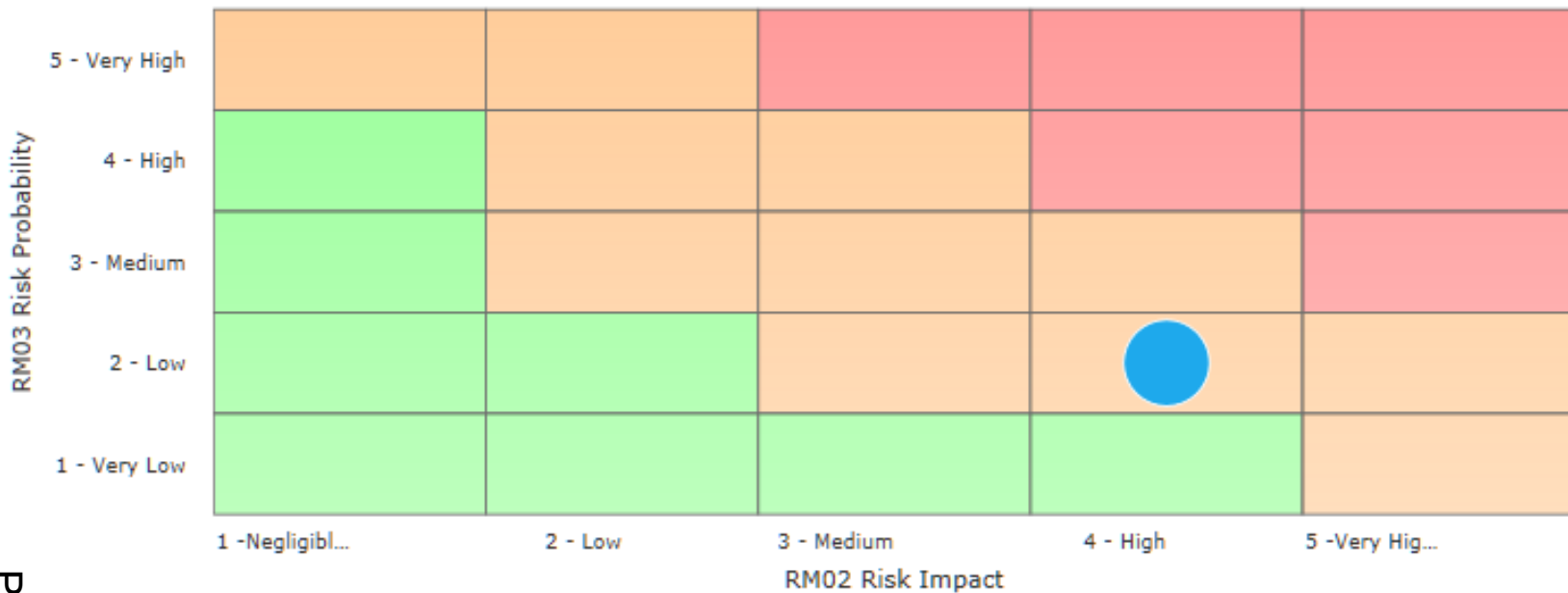
Risk rating prior to mitigation

August 2017 - Medium (12)

Risk	Description	Sep 2018	
		Identified	Links To
Risk 05 - In Year Financial Management	Overspending can undermine service delivery and medium term planning where significant mitigation means services need to defer spending to manage the overall budget.	Sep 2017	<ul style="list-style-type: none"> <li>All services depending on severity &amp; mitigation put in place</li> </ul>

### Risk 05 - Description/Rationale

- Historical overspending in key areas are increasingly difficult to mitigate - Community Care budgets, Children's out of area education and social care budgets in particular.
- Step change in level of overspending in 2016/17 and forecasted overspending in 2017/18 shows significantly worsening position.
- Level of overspending is significantly over and above revenue budget contingency and over current/previous year only mitigated from strong Council Tax collection due to accelerated house building - which cannot be guaranteed in future years and Council Tax reduction scheme underspending.
- Overspending can undermine service delivery and medium term planning where significant mitigation means services need to defer spending to manage the overall budget.
- Risk to requiring additional on-going budget in service areas affected which makes the 2018/19 and future budget challenge more difficult to manage/achieve.



Risk 05 - Assessment Date & Score					
Series					
Actual		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Actual	12	9	8	8
	Risk Rating	●	●	●	●

Sep 2018	
Risk - Direction of Risk	Direction
September monitoring continues to show an underspend for the year. This however is due to a number of one off non-service savings from VAT refund, NDR rebates and crematorium income, as well as unused contingency. Service areas including schools are continuing to see a significant challenge and are currently overspending by c£7.5m. This will need to be addressed going forward by Heads of Service.	➔

## Planned Mitigation

Sep 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 05.01	CMT instigated targeted spending freeze on non-essential spending.	It has been confirmed that this mitigation action has now been completed. As a result of this action it has been agreed for this action to close and for a new planned mitigation action to be implemented for Quarter 3 onwards.
<input checked="" type="checkbox"/> Risk 05.02	Chief Executive and Head of Finance will be holding monthly meetings with adult social care management team to look and review actions for reducing spend.	As a result of a review of the planned mitigation it has been agreed for this action to close as arrangements are in place. A new planned mitigation action has been shared with CMT members.
<input checked="" type="checkbox"/> Risk 05.03	Head of Service for adults/children social care and education have reviewed and improved decision making panels who assess individual cases accessing services.	This action has been completed and as a result a new planned mitigation action has been shared with CMT and agreed to be implemented for Quarter 3 onwards.
<input checked="" type="checkbox"/> Risk 05.04	Heads of Service with their service managers, supported by corporate business partners will plan actions to mitigate and bring down overspends in the future.	This is a new mitigating action and an update will be provided from quarter 3.
<input checked="" type="checkbox"/> Risk 05.05	Focus on forward planning to ensure early identification of potential overspending to enable early resolution and incorporate into medium term financial projections, where unavoidable, as appropriate.	This is a new mitigating action and an update will be provided from quarter 3.
<input checked="" type="checkbox"/> Risk 05.06	Ensure medium term planning based on robust information on key cost drivers and risk areas.	This is a new mitigating action and an update will be provided from quarter 3.

## Risk 06 - Balancing the Council's Medium Term Budget

Responsible Officer	Chief Executive Directors Heads of Service
Lead Cabinet Member	Leader of the Council

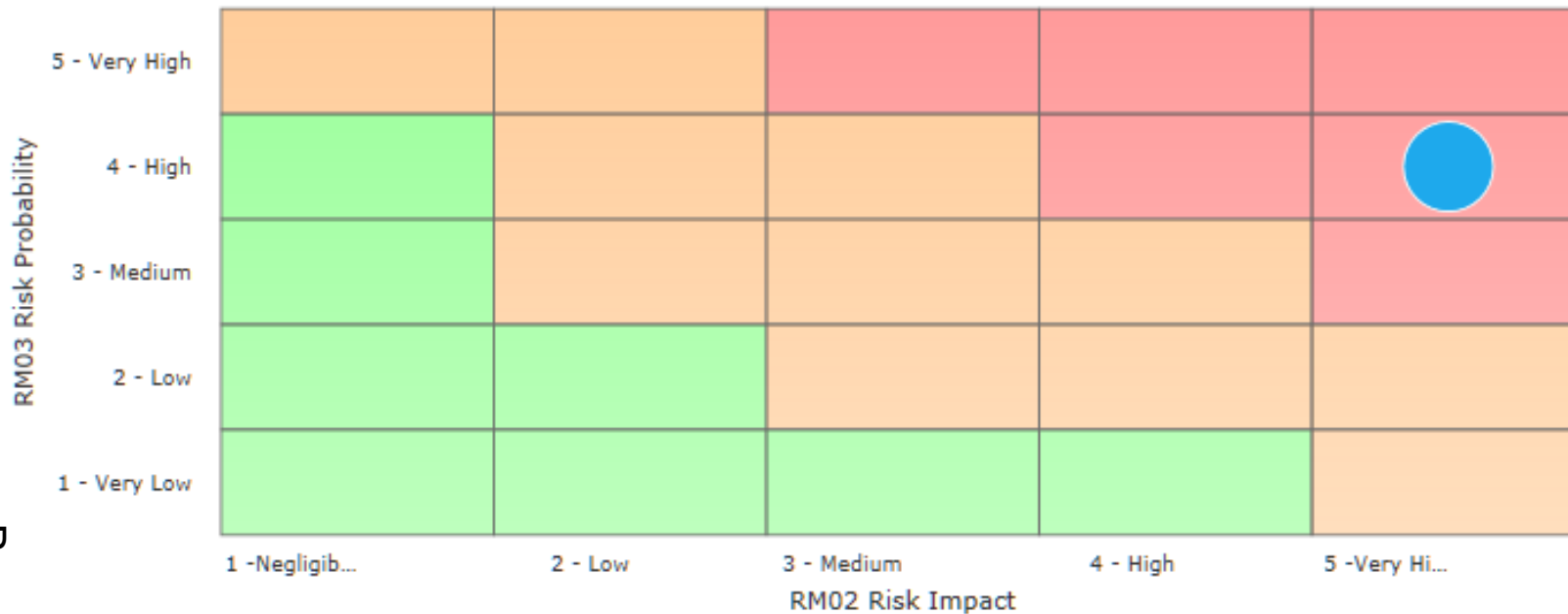
Risk rating prior to mitigation

August 2017 - High (16)

Risk	Description	Sep 2018	
		Identified	Links To
Risk 06 - Balancing the Council's Medium Term Budget	Risk of not meeting / funding key priorities.	Sep 2017	<ul style="list-style-type: none"> <li>All council services and priorities</li> </ul>

### Risk 06 - Description/Rationale

- Council does not have a change programme which addresses the financial shortfall in the Council's Medium Term Financial Plan.
- Not balancing the budget over a longer timeframe than has currently been achieved may challenge and could damage the Council's on-going Financial Resilience.
- Risk of not meeting/funding key priorities.
- Using 'reserves' to balance the budget is time limited and require permanent savings to be identified in due course.
- Lack of on-going medium term financial settlements from WG continue makes meaningful medium term financial planning more difficult.



Risk 06 - Assessment Date & Score					
Series					
		<span>Actual</span> <span>Risk Rating</span>			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Actual	16	16	16	20
	Risk Rating	▲	▲	▲	▲

Sep 2018	
Risk - Direction of Risk	Direction
There is still a significant challenge in balancing the 2019/20 budget, and the medium term gap has significant challenges including increased demand pressure, pay awards and funding challenges. It has been decided to increase the impact of the risk to very high, as has been seen by Northamptonshire not setting a balanced budget can have severe consequences.	⚡



## Planned Mitigation

Sep 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 06.01	On-going review and challenge to budget pressures within the MTFP	Reviews were carried out with Heads of Service and Strategic Directors of their budget pressures in May. These were updated in June. Following a few months of monitoring, these pressures have been reviewed once more, with the focus on the medium term and have been updated on the MTFP. During October there will again be meeting with Heads of Service and Strategic Directors to ensure robust forecasts for future pressures are included.
<input checked="" type="checkbox"/> Risk 06.02	Discussions with SLT to review cash-limits for each service areas with view to identify savings and mitigation of pressures	Discussions have taken place with SLT on all service areas cash limits, a number of savings/budget proposals have been identified and this has closed the budget gap for 2019/20.
<input checked="" type="checkbox"/> Risk 06.03	Project initiated to draw up a medium term change programme by June 2018 latest.	4 strategic boards deliver change programmes that deliver savings. The work on these is ongoing.
<input checked="" type="checkbox"/> Risk 06.04	4 boards to discuss and draw up strategic projects that will deliver savings over the medium term to mitigate the budget gap.	CMT are reviewing arrangements and processes regarding how best to draw up a medium term view of services, alongside the work of Boards.

## Risk 07 - Increased Pressure on Demand Led Services

Responsible Officer	Strategic Director - People Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Education and Skills Cabinet Member for Regeneration and Housing Cabinet Member for Social Services

Risk rating prior to mitigation

August 2017 - High (16). This rated high for Education Services and Medium for Social Services, an overall rating of High has been assigned.

Risk	Description	Sep 2018	
		Identified	Links To
Risk 07 - Increased Pressure on Demand Led Services	As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.	Sep 2017	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Service Plans</li> </ul>

### Risk 07 - Description/Rationale

#### Education

As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.

- That an increasing percentage of the population are over 65 putting an increasing strain on demand led services, particularly those that are statutory and raising the risk of unplanned significant budgetary overspends.
- Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.
- Increasing population putting extra pressure on school places across Newport.
- As children with complex need live longer, the number of children requiring care will increase and the length of care that they require will increase.

- Growing population of vulnerable children.
- Increasing demand for refuse collection.
- Increasing number of households and highways.

### **Social Services**

As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.

- That an increasing percentage of the population are over 65 putting an increasing strain on demand led services, particularly those that are statutory and raising the risk of unplanned significant budgetary overspends.
- Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.
- Increasing population putting extra pressure on school places across Newport.
- As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase.
- Growing population of highly vulnerable children.
- Increasing demand for refuse collection.
- Increasing number of households and highways.

### **Community Regeneration**

The changes to funding packages will have an impact on the level of services that we as an authority can deliver. The termination of Communities First has put pressure on existing statutory services and specifically community provisions as many projects were partnership arrangements with the Communities First programme. In addition Welsh Government has changed the way in which it administers various grants, providing local authorities the opportunity to distribute funding to areas it identifies as its priorities. Collectively the service area is grant funded, therefore any changes to future grants is a risk for many services, specifically statutory services who could be left to maintain high levels of users. Groups at risk are:

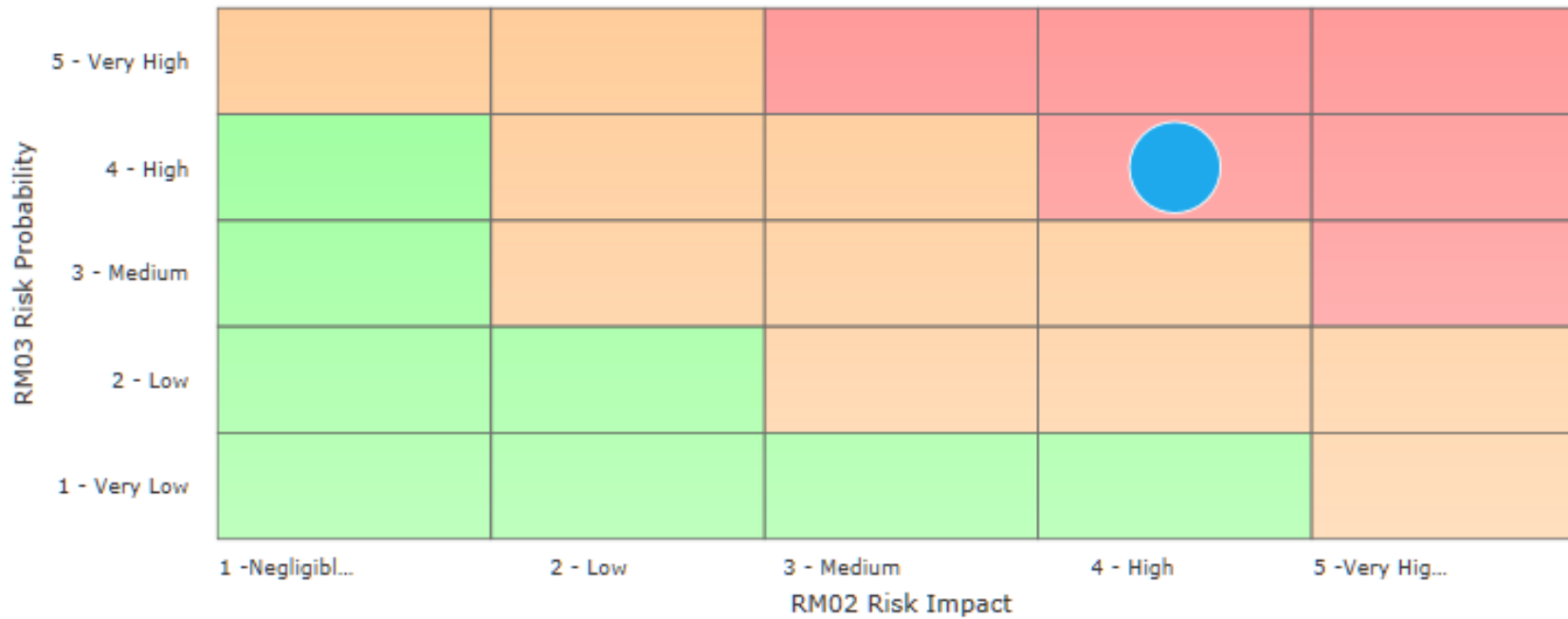
- Community centre groups - less services delivering from facilities.
- Young people - many of our services are reliant on grant funding.
- Work & Skills - all provision is reliant on grant funding.

- Work & Skills - all provision is reliant on grant funding.
- Children - all provision is reliant on grant funding.
- Community engagement/resilience - all provision is reliant on grant funding.

### **Housing**

Population growth will see an inevitable rise in demand for housing and this will place further pressure upon housing services provided by Newport City Council in order to seek to meet this growth in demand;

- An increasing percentage of the population are over 65 putting an increasing strain on demand led housing services, particularly those that are statutory and raising the risk of unplanned significant budget overspends.
- Removal, reduction or more widely dissipated preventative housing services could impact on statutory services by increasing the demand and complexity of need.
- Increasing population growth will put extra pressure on demand for affordable housing and/or specialised housing solutions.
- Upward population of highly vulnerable children requiring housing solutions within the care system and those leaving the care system.
- Increasing shift away from owner occupation towards private renting, as well as increasing concerns about the standard and fitness within the existing housing stock in Newport.
- An expanding population of older people will increase demand for mandatory home adaptation services and increasing number of people choosing to remain living in their own homes will increase demand for mandatory home adaptation services.
- Implementation and effect of universal credit is still being calculated and affect being monitored, as well as further pressure upon household incomes due to welfare reform implementation measures.
- Increased level of rough sleeping throughout the City.
- Greater demand for homelessness and housing related services throughout all sectors of housing within NCC.



Risk 07 - Assessment Date & Score					
Series					
Actual		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Actual	16	16	16	16
	Risk Rating	▲	▲	▲	▲

Sep 2018	
Risk - Direction of Risk	Direction
	➔

## Planned Mitigation

Planned mitigation

All 32 selected

		Sep 2018
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.01	<p>Education</p> <p>Increasing population putting extra pressure on school places across Newport. One new school (due to open September 2017) and second new school (due to open September 2018). Both established largely through 106 funding. Additional school places have been established across the city through a capacity exercise. Where schools are being re-developed, (e.g. Bryn Derw, Caerleon Lodge Hill) additional places have been included.</p>	<p>The 4th Welsh Medium Primary in Newport will be funded. This will open as a seedling school in 2020. This additional school will support the pupil place challenge in the long term.</p>
<input checked="" type="checkbox"/> Risk 07.02	<p>Education</p> <p>Increasing population putting extra pressure on school places across Newport. Three further new build schools are planned through 106 monies funding from 2019 – 2024 (NB: shortfall in funding that will need to be made up by Authority). Forecasts show that there is also a need for expansion on existing school sites, in specific areas of the city, with significant population growth. A Welsh Government 21st Century Band B' schools bid has been made which focusses on Newport's urgent need for additional school places as our key priority.</p>	<p>Further work has been completed on the Band B strategic Outline Programme. This has included specific workshop activities with Caerleon and Bassaleg Schools to scope out their needs and plan future provision.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.03	As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase. The number of educational places within the city need to grow in order to provide provision for pupils with complex needs.	SEN data trends have been established and are currently being used to consider which future provisions are required within the city. There will be 2 new 20 place LRB's opening in 2019 (Lodge Hill Primary and Glan Llyn Primary).
<input checked="" type="checkbox"/> Risk 07.04	Growing population of highly vulnerable children: The number of Learning Resources Bases across the city will expand to support increased demand of pupils with Special Educational Needs, allowing them to maintain mainstream school places.	SEN data trends have been established and are currently being used to consider which future provisions are required within the city. There will be 2 new 20 place LRB's opening in 2019 (Lodge Hill Primary and Glan Llyn Primary).
<input checked="" type="checkbox"/> Risk 07.05	The total cost of Out of County placements continues to grow. Education Services will develop an analysis and forecast of Out of County Placements in order to facilitate a strategic plan of supporting these needs in the most affordable way over the next five years.	The trend analysis for SEN places is largely concluded and will be used to plan future provision and for medium term financial planning
<input checked="" type="checkbox"/> Risk 07.06	<b>MANAGING DEMAND – PREVENTION EARLY INTERVENTION</b> Older Person's Pathway - joint initiative with Health, people identified from GP surgeries and offered a Stay Well Plan that is individualised and focused on maintaining well-being and health.	The Older Persons Pathway is fully embedded across all participating GP surgeries and the recent evaluation demonstrates a positive impact on reducing demand for Health and Social Care Services

	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.07	<p>MANAGING DEMAND – PREVENTION EARLY INTERVENTION</p> <p>Reconfiguring a number of service pathways including Frailty &amp; Reablement to reduce duplication, streamline provision, facilitate hospital discharge and provide services focused on maintaining independence.</p>	<p>Reablement integration has now been implemented and a single team now delivers the service. Work is ongoing to upskill the workforce to operate in a more outcome focussed way.</p> <p>An intake model is being developed to ensure that all those previously without a care and support plan prior to entering hospital are automatically referred on discharge. This will maximise independence, prevent the need for reliance on statutory services in the future and reduce the risk of hospital re-admission.</p>
<input checked="" type="checkbox"/> Risk 07.08	<p>MANAGING DEMAND – PREVENTION EARLY INTERVENTION</p> <p>Investment in preventative services including 2 Third Sector consortiums offering information, advice and assistance for any Newport citizen.</p>	<p>The Consortiums are established and have been effective in managing demand. A review of preventative services is planned to ensure Newport citizens are able to access the right service at the right time.</p> <p>ABUHB are now investing in information and advice and this presents an opportunity to mitigate the risks of duplication and to plan future commissioning requirements.</p>
<input checked="" type="checkbox"/> Risk 07.09	<p>MANAGING DEMAND – PREVENTION EARLY INTERVENTION</p> <p>Utilisation of ICF for Community Connectors offering community based assistance to people who require support to access low level services</p>	<p>Intermediate Care Funding (ICF) is continuing to fund the Community Connector Team. Several new support groups have been established that offer community solutions for people who have experienced social isolation.</p> <p>The Connectors signpost and advise on a range of issues offering low level and short term assistance to those who would not be eligible for a statutory service.</p> <p>The team of 8 are a stable group and have extensive knowledge and experience. A recruitment process is underway to appoint a new full time member of staff who will complement the team.</p>



	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.10	<b>MARKET MANAGEMENT</b> Domiciliary care and Residential and Nursing provision commissioned robustly. Working closely with providers to ensure services are fit for purpose in terms of quality and capacity. Relationship management ensures flexibility and responsiveness.	Relationship management is ongoing with all commissioned providers. Contract review and monitoring processes are cyclical with additional contact in relation to safeguarding issues or complaints. All intelligence is captured to ensure no opportunity to identify themes or recurring issues is lost.  In addition, dialogue with providers occurs around the development of new contracts, and fee discussions for 19/20 will commence internally this quarter.  Winter pressures discussions with dom care providers have started with options to ensure full city coverage during bad weather and collaborative approaches to manage periods of high demand.
<input checked="" type="checkbox"/> Risk 07.11	<b>MARKET MANAGEMENT</b> Ensuring in house services are cost effective and targeted at community need.	Work to reduce the Supported Living service from 4 properties to 2 has been progressed and consultation with the staff is in process to confirm the closure of 2 properties by the end of November 2018. Several tenants have been successfully moved on and the remaining service is now subject to further review.  The appointment of an external partner to manage the Extracare service is ongoing.  Residential provision has been subject to re-registration under the RISCA legislation.
<input checked="" type="checkbox"/> Risk 07.12	<b>MARKET MANAGEMENT</b> Cost control –negotiating sustainable fees with providers that offer value for money whilst protecting the social care workforce	Within the context of a challenging financial settlement meetings are scheduled internally to develop an early fee negotiation strategy for 2019/20
<input checked="" type="checkbox"/> Risk 07.13	<b>MARKET MANAGEMENT</b> Engagement with Regional workstreams to address National issues around the purchase of domiciliary and residential care services	NCC continues to engage with Regional workstreams around domiciliary and residential care.  Specifically, work around the development of a pooled budget and common contracts are in progress and joint monitoring and intelligence exchange with Health and partner Authorities continue to develop.

	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.14	<p>MARKET MANAGEMENT</p> <p>Early engagement with Health to maximise CHC funding for people with Health needs.</p>	Ongoing - Where CHC triggers are identified there is an established process to ensure referrals are progressed
<input checked="" type="checkbox"/> Risk 07.15	<p>Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</p> <ul style="list-style-type: none"> <li>Investment in a consortium model of third sector preventative services to offer a single point of contact for all Newport citizens</li> </ul>	Ongoing measurement of preventative services to monitor effectiveness and value for money
<input checked="" type="checkbox"/> Risk 07.16	<p>Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</p> <ul style="list-style-type: none"> <li>Investment in a Third Sector mental health consortium in partnership with Health – offering a single point of contact for citizens in Gwent.</li> </ul>	Ongoing measurement of preventative services to monitor effectiveness and value for money in terms of managing demand and offering appropriate support to those who would not meet statutory eligibility criteria
<input checked="" type="checkbox"/> Risk 07.17	<p>Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</p> <ul style="list-style-type: none"> <li>Utilisation of ICF to deliver a Community Connector Service – offering community support for people to access services.</li> </ul>	Ongoing measurement to monitor effectiveness and value for money in managing demand and building community capacity.
<input checked="" type="checkbox"/> Risk 07.18	<p>Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</p> <ul style="list-style-type: none"> <li>Utilisation of ICF to employ a Carers Development Officer</li> </ul>	The Carers Network has established improvements in communication opportunities with carers across the City. Regular events are arranged and information about NCC services and available support is provided.

	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.19	<p>Growing population of highly vulnerable children Investment in developing preventative services to work with families to build resilience and to prevent children from being accommodated:</p> <ul style="list-style-type: none"> <li>• Re-tendering for the Strategic Collaborative Partnership that delivers the Family Assessment Support Service (FASS) and Family Support Team (FST).</li> </ul>	<p>Update provided by Sally Jenkins (26/10/18). The Partnership has been successfully retendered. The service is being remodelled with changes to enhance practice and address emerging issues. Across Children's Services Family Group Conferencing is being introduced to ensure family participation and build on family strengths at an early stage and so avoid children coming into care. Work is being undertaken with partner agencies with the support from the PCC to target resources at early intervention with primary aged children to build models of intervention to address emerging issues of criminal exploitation and the risk of involvement in serious and organised crime.</p>
<input checked="" type="checkbox"/> Risk 07.20	<p>As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase.</p> <p>Investment in developing preventative services to work with families to build resilience and to prevent children from being accommodated:</p> <ul style="list-style-type: none"> <li>• Full review of short break services for families with Children with disabilities.</li> <li>• Full review of providing house respite service for families with Children with disabilities.</li> </ul>	<p>Update provided by Sally Jenkins on 26/10/18. The short breaks services are being reviewed. The in-house residential provision has been reviewed. A bid for capital funding from the Intermediate Care Fund is awaiting final sign off from Welsh Government. The funding will ensure the building can be made fit for purpose and be remodelled to enhance and improve the service. Parents and the staff from Oaklands are involved in the planning for the remodelling and ensuring the design meets the needs of the children.</p>
<input checked="" type="checkbox"/> Risk 07.21	<p>Investment in developing preventative services to work with families to build resilience and to prevent children from being accommodated:</p> <ul style="list-style-type: none"> <li>• Carers Development Officer supports families with Children with disabilities.</li> </ul>	<p>We are continuing to ensure our preventative services are targeted on those most in need of preventative support and more able to access it. We are working closely across the region to ensure transformation funding is aligned with our preventative services to enhance the current offer.</p>
<input checked="" type="checkbox"/> Risk 07.22	<p>Engagement with Regional work streams to address developing a consistent framework around Continuing Health Care Process.</p>	<p>Update provided by Sally Jenkins on 26/10/18. The pathway and protocol has been completed and will be presented at the next Children and Families Partnership Board. The implementation will then commence. In order to be ready the existing Brighter Futures and Complex Needs Panels in Newport are currently being reviewed.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.23	<p>Cost control – negotiating sustainable fees with providers that offer value for money whilst protecting the social care workforce.</p>	<p>Close scrutiny is applied to cost management with ongoing review of the impact on budgets. Monitoring processes oversee quality, value for money and identify risks around service continuity and sustainability.</p> <p>Fee negotiations with providers take place annually and are overseen by the Commissioning &amp; Contracts Team who work closely with Finance. Payment rates take account of the real cost of delivering services based on economic factors and an in-depth knowledge of the social care market. Ongoing dialogue is maintained with providers who must demonstrate ethical terms and conditions of employment.</p>
<input checked="" type="checkbox"/> Risk 07.24	<p>Community Regeneration Aligning services and grants into one programme (Neighbourhood Hubs) will support a rationalization process across all the grants, this process will help us to achieve smarter ways of working that could support a long term vision of sustainability. Processes such as;</p> <ul style="list-style-type: none"> <li>• Staffing – the alignment of staff can reduce the requirement for current levels in finance and management functions.</li> <li>• Duplication – aligning programmes will support projects who share outcomes to end specific projects therefore reducing wasted expenditure.</li> <li>• Commissioning – a single commissioning model will provide the less duplication and savings in regards to management fees to other organisations.</li> <li>• Assets – The colocation and integration of teams through Neighbourhood Hubs will negate the requirement for different facilities and will provide greater focused usage in specific centres.</li> </ul>	<p>The Neighbourhood Hub business plan has been approved. The process of restructuring services that will deliver from the Neighbourhood Hub model has begun.</p> <p>Reviews of staffing structures, duplication of delivery, duplication of commissioning and the improvement of facilities for the community will be on going and will be ready for implementation between April and May 2019.</p> <p>Recent announcements from Welsh Government regarding the security of grant funded programmes up to 2021 has provided confidence to plan and implement services for the next 3 years.</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.25	<p>Community Regeneration</p> <p>Work with funders to identify further opportunities to provide additional resource to community delivery.</p>	Funding has been secured from the European Social Fund for the skills at work project up to 2021. The council is waiting for the decision outcomes for application submitted. Those decisions are likely to be December 2019.
<input checked="" type="checkbox"/> Risk 07.26	<p>Housing Services</p> <p>That an increasing percentage of the population are over 65 putting an increasing strain on demand led services, particularly those that are statutory and raising the risk of unplanned significant budgetary overspends.</p> <p>The number of older people in Newport is growing. More than 600 owner-occupiers aged over 55 currently have active applications for some form of affordable housing</p>	Actions from previous commentary are ongoing
<input checked="" type="checkbox"/> Risk 07.27	<p>Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</p> <ul style="list-style-type: none"> <li>• Increased resources provided to assist in homeless prevention and to secure additional staffing to meet need</li> <li>• Grant funding available from Welsh Government targeted to key demand areas of the homelessness prevention service across a range of partners</li> <li>• Links with third sector agencies in place and being developed to meet demand for services</li> <li>• Regional Homelessness Strategy under development in order to explore regional opportunities for service development/initiatives</li> </ul>	Actions from previous commentary are ongoing

	<b>Planned Mitigation</b>	<b>Risk - Action Status/Control Strategy</b>
<p><input checked="" type="checkbox"/> Risk 07.28</p>	<p>Increasing population putting extra pressure on demand for affordable housing or specialised housing</p> <p>Increased pressure to deliver affordable housing, but in a climate when viability issues on sites regularly see the development industry reducing the percentage of affordable housing they are willing to deliver</p> <ul style="list-style-type: none"> <li>• Homeless prevention work to secure alternative affordable accommodation options established and embedded within statutory services</li> <li>• Procurement of temporary accommodation for homeless households in place to meet the changing demands and needs for the service</li> </ul>	<p>As expected, the level of affordable housing being achieved on developments is below target</p>
<p><input checked="" type="checkbox"/> Risk 07.29</p>	<p>Growing population of highly vulnerable children requiring housing solutions within the care system and once leaving the care system.</p>	<p>Actions from previous commentary are ongoing</p>

	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 07.30	<p>Increasing shift away from owner occupation towards private renting</p> <p>A study for the Welsh Government into the fees charged by letting agents showed that Newport has a relatively high proportion, 36% of registered rental properties managed by agents, and was designated a high rent area and the total number of properties registered was 8,252. The study found that, although the work required and the costs incurred by the agents were similar in all areas, the fees charged to applicants varied considerably, according to the size of agency and the local housing market. Fees can make it difficult for low-income tenants to secure private rented housing, especially if they are obliged to move more frequently than owner-occupiers would when assured shorthold tenancies come to an end.</p>	<p>The impact of changes to the private rental market is still evolving and will feed into future updates of the Local Housing Market Assessment. A more proactive, collaborative approach is being developed to empty homes.</p>
<input checked="" type="checkbox"/> Risk 07.31	<p>Increasing concerns about the standard and fitness within the existing housing stock</p> <p>Much of Newport's housing stock is pre-1920's and, in 2017, the council's Environmental Health team identified nearly 13,000 serious hazards in Newport homes, most of them privately rented.</p>	<p>A partner organisation to administer owner-occupier loans on behalf of the council has now been appointed.</p>
<input checked="" type="checkbox"/> Risk 07.32	<p>An expanding population of older people along with increasing numbers of people choosing to remain living in their own homes will increase demand for mandatory home adaptation services</p> <p>Increasing pressure on the adaptations capital budget.</p>	<p>Unchanged</p>

# Risk 08 - Risk of Stability of External Suppliers

Responsible Officer	Strategic Director - People
Lead Cabinet Member	Cabinet Member for Social Services

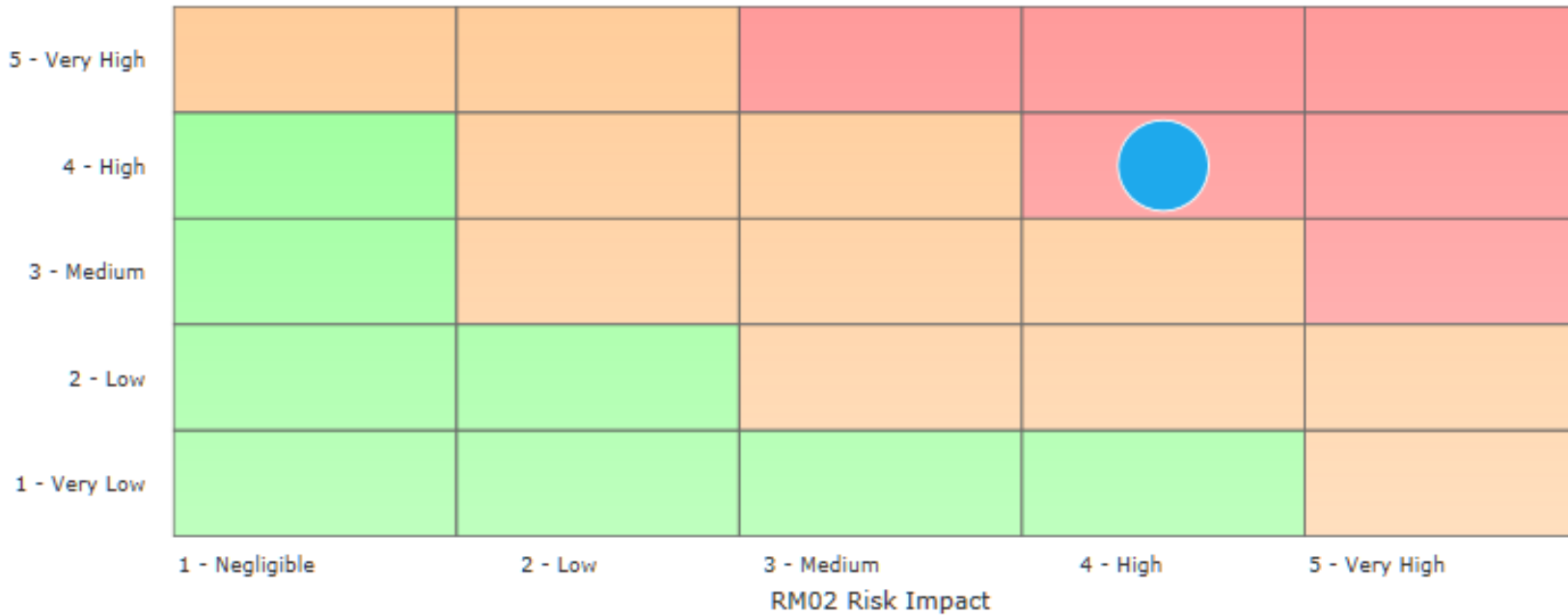
Risk rating prior to mitigation

August 2017 - High (20)

Risk	Description	Sep 2018	
		Identified	Links To
Risk 08 - Risk of Stability of External Suppliers	Growing cost of delivering services and purchasing materials will impact on external supplier's ability to continue to fulfil contract obligations. Potentially short notice of inability to provide services.	Sep 2017	<ul style="list-style-type: none"> <li>Change Programme</li> <li>Corporate Plan</li> <li>Service Planning</li> </ul>

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RM03 Risk Probability





Risk 08 - Assessment Date & Score					
Series					
		Actual		Risk Rating	
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Actual	20	20	16	16
	Risk Rating	▲	▲	▲	▲

Sep 2018	
Risk - Direction of Risk	Direction
	➔

### Planned Mitigation

Object Measure Name

All 6 selected

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		Sep 2018	
		Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/>	Risk 08.01	Market Management Consultation and engagement with social care providers	Commissioning and Contracts Team have regular dialogue with providers around a range of issues.
<input checked="" type="checkbox"/>	Risk 08.02	Encouraging New Providers To Enter The Market The offer of block contracts for domiciliary care hours that provides incentive for new providers and creates a diverse market place.	We continue to operate a spot contract approach to the commissioning of new care packages. Our brokerage team are in constant contact with providers and have up to date market knowledge. We now have 26 providers operating in the Newport area so currently have capacity to respond to the upcoming winter pressures. Discussions with providers around how to respond to the predicted demand spike have already begun.

	<b>Planned Mitigation</b>	<b>Risk - Action Status/Control Strategy</b>
<input checked="" type="checkbox"/> Risk 08.03	Encouraging New Providers To Enter The Market Open dialogue with providers interested in entering the market to ensure they are fully informed about service demand and future commissioning intentions.	The Commissioning and Contracts Team take every opportunity to talk to new providers to ensure as much flexibility as possible in the market. New commissioning opportunities are advertised and supplier days arranged to ensure transparency and open dialogue.
<input checked="" type="checkbox"/> Risk 08.04	Developing New Sustainable Models of Service & Maximising Alternative Funding  Working with partners such as Housing and Health to develop new services that are more financially sustainable and offer better opportunities for people to live independently.	The Independent Living Strategy has been signed off by Cabinet as an example of how NCC will work with partners to develop sustainable models of accommodation and care over the next 5 years. Several tenants have been moved to a new development in Bettws offering new opportunities for independent living.
<input checked="" type="checkbox"/> Risk 08.05	Working With Commissioning Partners Working Regionally & Nationally to share knowledge, best practice, market intelligence and to develop commissioning strategies in both adults and children's services.	NCC continue to engage with Regional workstreams around specific areas of work. The Regional Commissioning Group is attended by all Gwent Local Authority Commissioners.  Joint work with Health around Domiciliary and Residential Nursing provision is well established.
<input checked="" type="checkbox"/> Risk 08.06	Commissioning Function Strong, well organised Commissioning function and agreed strategies that effectively oversees and controls all purchasing activity and understands the local market. The Commissioning team are fully sighted on market issues, have well developed relationships with providers and work closely with operational teams to source good quality sustainable services.	Work around the development of a People Commissioning Hub is ongoing. It has been agreed that members of the Education Team currently overseeing the School Meals contract will move permanently into the team.  A proposal has been developed following the completion of a scoping exercise to identify staff currently engaged in commissioning activity in Education and Children's Services.  Negotiation with Heads of Service around how to facilitate implementation is underway.

## Risk 09 - Increasing Pressure on Existing Infrastructure

Responsible Officer	Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Streetscene

Risk rating prior to mitigation

August 2017 - High (16)

Risk	Description	Sep 2018	
		Identified	Links To
Risk 09 - Increasing Pressure on Existing Infrastructure	The M4 Bridge tolls will be abolished for all vehicles at the end of 2018 with an interim reduction in tolls being introduced on the 8th January 2018. This is a positive opportunity for the city but the council must consider the potential impact on existing infrastructure.	Sep 2017	<ul style="list-style-type: none"> <li>▪ Corporate Plan</li> <li>▪ Service Plans</li> </ul>

### Risk 09 - Description/Rationale

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The M4 Bridge tolls will be abolished for all vehicles at the end of 2018 with an interim reduction in tolls being introduced on the 8th January 2018. This is a positive opportunity for the city but the council must consider the potential impact on existing infrastructure.

Traffic at the Toll's is currently 'held' back and released creating a pulsing effect on traffic entering Wales.. Removal of this effect will result in more traffic reaching the 2 lane sections at Magor and the Brynglas tunnels quicker, with associated congestion.

Although that is primarily a network management issue for the SW Trunk Road Agency, it is likely to result in rat running on alternative routes impacting on the city's network. Increased use of the Steelworks Access Road, SDR and Chepstow Road is anticipated as the main alternatives motorists will seek to use. We know this with some confidence due to the regular effect on our network of congestion, road collisions and roadworks on the M4.

The tolls are a barrier to logistics companies (some firms spend £200k per annum in toll fees); therefore many logistics and distribution firms locate on the English side of the bridge. Removal of the tolls is likely to result in a review of location, with the potential relocation in and around Newport increasing the impact on local networks.

House prices in Bristol are relatively expensive; therefore removal of the tolls could increase the attractiveness of living on the Welsh side and commuting to Bristol. This presents an opportunity for Newport, especially locations with good motorway access east of the tunnels but it will attract significant additional car journeys.

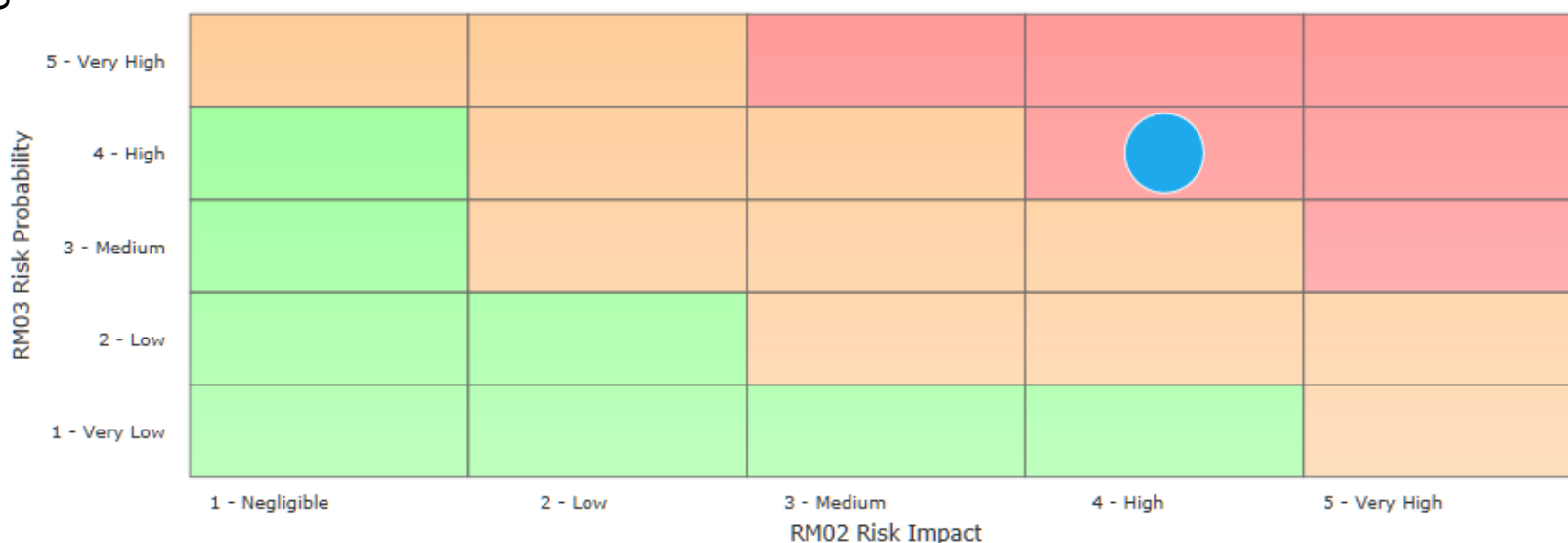
Increased light and heavy vehicular usage will impact on the whole life of our highway assets and result in increased routine maintenance and associated revenue and capital investment.

Any additional traffic will be detrimental to air quality – particularly within the city’s existing AQMAs

### Impact on public transport and Council services

Increased traffic on local roads will have a detrimental impact on journey time/reliability. It will also increase operating costs for public transport and council services that rely on road based delivery models. (The Welsh Assembly Enterprise and skills committee are undertaking an inquiry into the impact of congestion on bus services).

Consideration of additional resources or different delivery models may be required as mitigation.



Risk 09 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Risk Score	16	16	16	16
	Risk Rating	▲	▲	▲	▲

Sep 2018	
Risk - Direction of Risk	Direction
With the date for the removal of the Tolls on the Prince of Wales bridge confirmed as 17th December 2018, the impact on traffic, transportation, road safety and maintenance will be monitored through the city. The current risk rating will remain for September.	➔

### Planned Mitigation

Sep 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
☑ Risk 09.01	In the long term, the successful delivery of the proposed M4 would have the potential to mitigate the effects of the toll removal through Newport.	The inquiry inspectors will shortly report on their findings to inform Welsh Governments decision on whether to proceed.
☑ Risk 09.03	Improved links to existing M4.	Welsh Governments redesign of the Forge Road, Tredgar Park and Junction 28 roundabouts are substantially completed.

## Risk 10 - Climate Change

Responsible Officer	Strategic Director - Place Cabinet Member for Streetscene
Lead Cabinet Member	The Deputy Leader and Cabinet Member for Assets and Member Development

### Risk rating prior to mitigation

August 2017 - Medium (12). There are a number of risks within this document, each with an individual risk ranging from low to high. The average risk as a whole has been calculated as upper medium.

Risk	Description	Sep 2018	
		Identified	Links To
Risk 10 - Climate Change	<p>It is generally accepted that the effects of global warming will result in:</p> <ul style="list-style-type: none"> <li>- All areas of the UK get warmer and the warming is greater in summer than in winter;</li> <li>- Little change in the amount of precipitation (rain, hail, snow etc) that falls annually but it is likely that more of it will fall in the winter with drier summers for much of the UK</li> <li>- Sea levels rise - more in the south of the UK than the North.</li> </ul>	Sep 2017	<ul style="list-style-type: none"> <li>▪ Civil Emergencies</li> <li>▪ NCC Assets</li> <li>▪ Severe Weather Emergency Plans</li> <li>▪ Streetscene Service</li> </ul>

### Risk 10 - Description/Rationale

It is generally accepted that the effects of global warming will result in:

- All areas of the UK get warmer and the warming is greater in summer than in winter;
- Little change in the amount of precipitation (rain, hail, snow etc) that falls annually but it is likely that more of it will fall in the winter with drier summers for much of the UK
- Sea levels rise – more in the south of the UK than the North.

To tackle the challenge of climate change, Newport needs to act on two fronts;

- Prepare for the changes that are already happening because of the greenhouse gases which have already been released
- Reduce the greenhouse gases we emit through our operation by reducing and decarbonising our energy consumption

## **Preparing for the changes**

Newport should consider how various climate change variables such as intense or prolonged rainfall; hotter temperatures and higher wind speed will impact on the type of highway assets that they manage and the likelihood of these events occurring. By doing this the greatest generic risks to network closure or restriction can be identified. These are likely to be;

- Flooding (pluvial, fluvial, groundwater and coastal)
- Snow
- Landslips
- Scour
- Wind damage
- Heat/ water and frost damage
- Disruption at interchanges with other transport modes such as rail and bus.
- Inadequate or over stretched resources to meet demand

Newport should review and apply the latest UK Climate Projections, as developed by the Met Office and Environment Agency, when assessing future risk and vulnerability. These projections for future changes to both average climatic conditions and also the frequency of extreme weather events, allow for an understanding of where risk levels may change, and the identification of new risks which may emerge as the climate changes. When applied alongside records of past incidents, and other information sources (such as flood maps), climate projections may also help to identify when and what action should be taken to adapt to the risks.

The locations where there is potential for these events to occur on the Network should be identified. This can be done using the highway asset inventory and records of past incidents of weather related damage or incidents such as flooding or landslips.

The local Flood Risk Management Plans should also be used to identify areas prone to flooding. Where possible, local knowledge should be used to validate the findings.

## **Decarbonising and reducing our energy consumption**

The Environment (Wales) Act 2016 requires that Wales reduce its carbon emissions by 80% by 2050; at the time of writing the Welsh Government are consulting on the Public Sector being Carbon neutral by 2030 as well as how targets and budgets will be implemented from now until 2050.

In 2016/17 Newport City Council was responsible for the direct (scope 1 and 2) green house gas emissions of 17,224 Tonnes of CO<sub>2</sub>eq from our electricity and gas supply alone. Although a significant improvement on previous years, with fleet vehicles adding to this total, the impact of the day to day operation of the council is substantial. Indirect emissions, such as from procurement of goods and services, waste and employee commuting may also be considered in the future. Achieving the required reduction will be a challenge, but there is considerable potential for improvement with the correct investment.

The need for a greener national electricity system is contributing towards increasing energy costs for consumers. The UK Government (BEIS) mid-range forecast predicts that prices will increase at circa 4% per annum until 2025. This represents a significant increase in the cost of electricity for Newport City Council if no reductions are made.

Newport City Council has limited renewable energy generation across our estate, increasing this significantly would be a major step towards meeting emission reduction targets. Potential locations for installations will be reviewed and options for implementation considered.

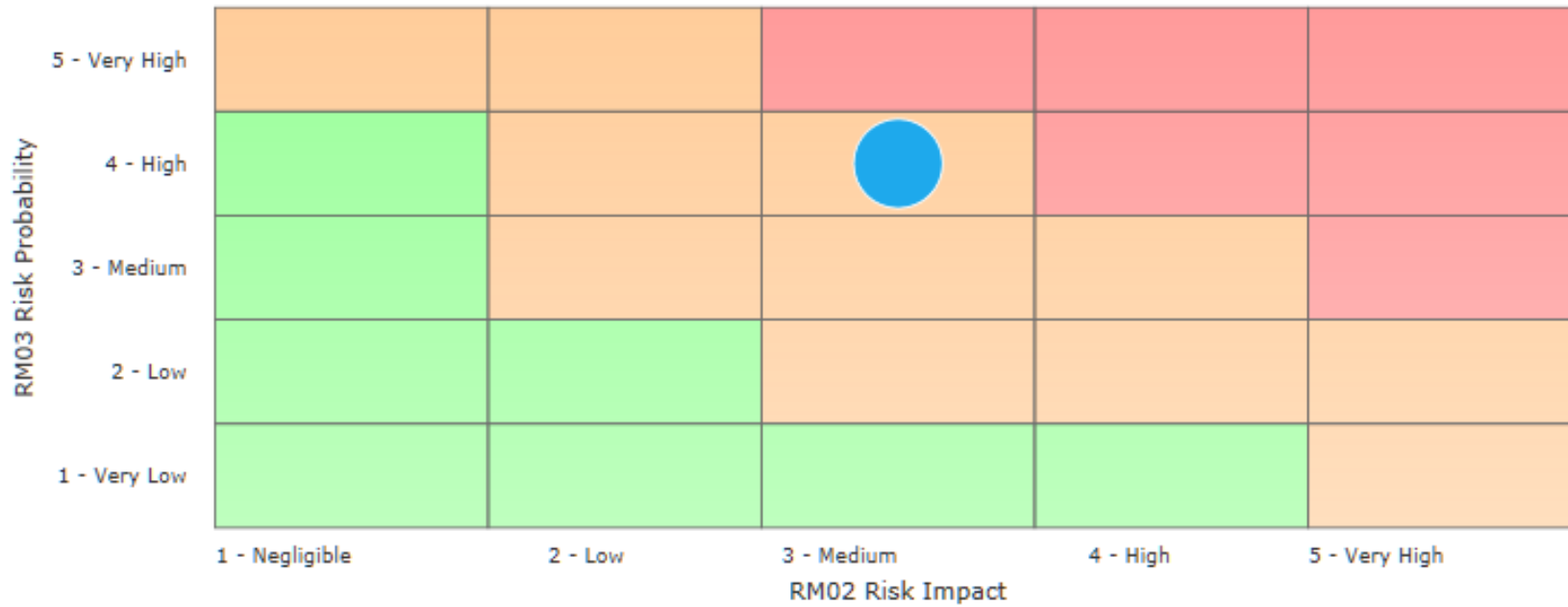
Some of the risks may have the potential to be reduced by mitigation action. Such action could range from improved routine inspection or maintenance regimes to major asset improvement or replacement works. Options for mitigating the greatest risks should be explored with a view to prioritising those measures that will provide the greatest return on investment in terms of reduced risk. These measures should be integrated with the asset management plan with an appropriate weighting.

Welsh Government are currently consulting on the national actions required to meet the upcoming carbon budgets and are putting forward some major actions for the public sector. The requirements on the Local Authority to take action are only going to increase as the national requirements to decarbonise increase, measures currently being consulted on include:

- 1) **The public sector to baseline, monitor and report progress towards carbon neutrality** (including scope 3 emissions)
- 2) **All new cars and light goods vehicles in the Public Sector fleet are ultra low emission by 2025 and where practicably possible, all heavy goods are ultra low emission by 2030**, and the toughest of all,
- 3) **Public Sector buildings are supplied with low-carbon heat by 2030**. Which means a move away from traditional gas heating.

It is likely that there will ultimately be additional carbon taxes or penalties for not achieving reductions.





Risk 10 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Risk Score	12	12	12	12
	Risk Rating	●	●	●	●

Sep 2018	
Risk - Direction of Risk	Direction
	➔

## Planned Mitigation

Sep 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 10.01	Produce and implement a Carbon Management and Implementation plan to set out a strategy, objectives and programme to reduce overall carbon emissions, provide investment opportunities and to mitigate against anticipated increases in energy supply costs.	Draft on hold, awaiting further information.
<input checked="" type="checkbox"/> Risk 10.02	Aim to get the best value for money from procurement of utilities through the National Procurement Service. Wherever possible purchase electricity backed by Renewable Energy Guarantee of Origin Certificates.	No change.
<input checked="" type="checkbox"/> Risk 10.03	Undertake a full review of the Council's assets and their suitability for the application of renewable energy technologies to deliver Carbon and financial benefits.	<ul style="list-style-type: none"> <li>- Building related renewable energy schemes to be included in building energy efficiency programme which is now in development.</li> <li>- Further feasibility being undertaken on potential solar farm site.</li> </ul>
<input checked="" type="checkbox"/> Risk 10.04	Plan and deliver Sustainable Urban Drainage Systems (SuDS) - SuDS such as permeable surfaces, swales, wetlands and ponds can play an important role in managing local flood risk in urban areas since they replicate natural surface water drainage systems.	Business case agreed for the creation of a flood risk and SUD's enforcement team to ensure the statutory duties are delivered.
<input checked="" type="checkbox"/> Risk 10.05	Comprehensive and robust Adverse Weather Plans.	Severe weather and winter maintenance plans are in place to mitigate the risks of severe weather.

Sep 2018

	<b>Planned Mitigation</b>	<b>Risk - Action Status/Control Strategy</b>
<input checked="" type="checkbox"/> Risk 10.06	Plan and deliver green infrastructure - green infrastructure (trees, parks, open space etc) is important because it can help to keep cities cool in the summer, provide drainage routes for surface water and provide pathways through the urban environment for biodiversity to migrate as the climate changes.	Green infrastructure strategy draft in progress with NRW. Draft to be circulated in 2019.
<input checked="" type="checkbox"/> Risk 10.07	Selection of road surfacing materials that have a higher resistance to heat damage and /or heat reflectivity. Increased preventative maintenance to seal surfaces to water ingress and arrest disintegration.	£1m highway maintenance funding from Welsh Government facilitated a programme of highway improvement works in 2018/19. Where appropriate, preventative treatments were applied that extends the residual life of the asset by sealing it against water and arresting disintegration.
<input checked="" type="checkbox"/> Risk 10.08	Maximise on available Welsh Government funding to improve the defence of the city against fluvial and coastal flooding.	Welsh Government have provided small value grant funding in relation to flood risk regulation works, small scale preventative works and attenuation at Gwastedd Gate. With total funding standing at £167k, mitigation of the risks is limited.

# Risk II - Increasing Demands on IT Services and the Modernised Agenda

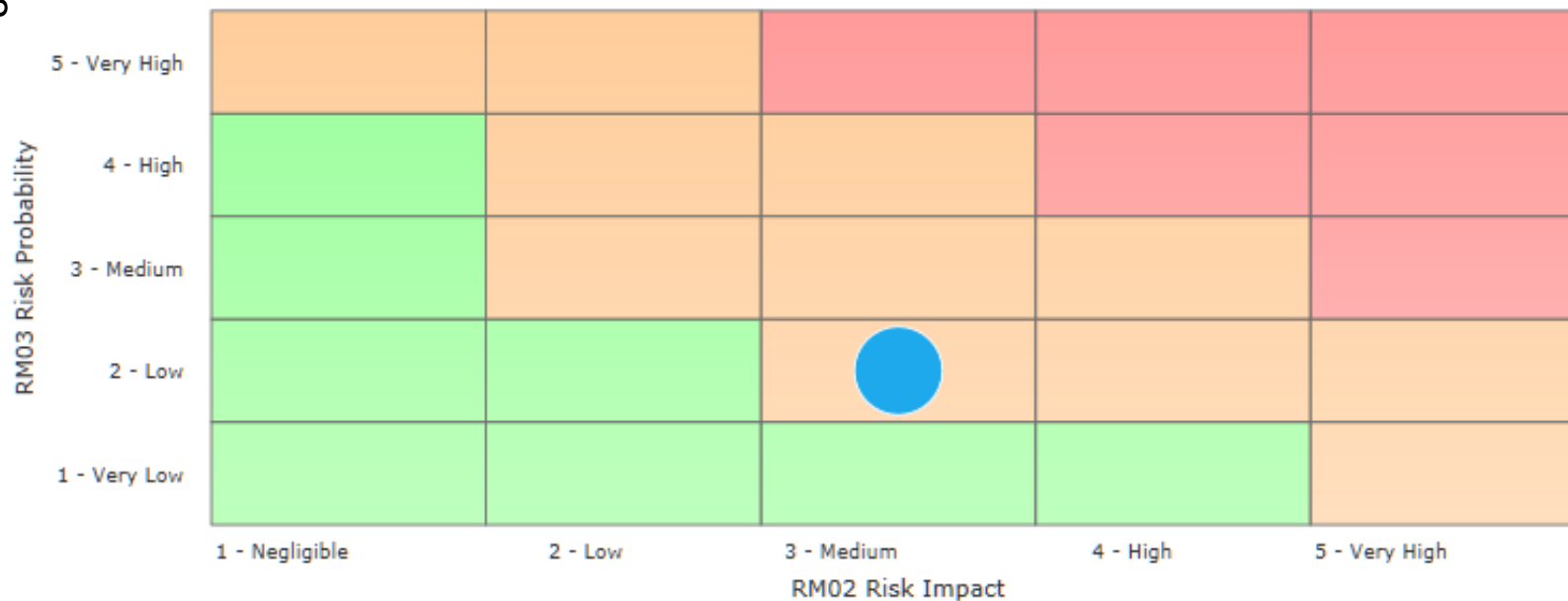
Responsible Officer	Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Community and Resources

Risk rating prior to mitigation

August 2017 - Medium (6)

Risk	Description	Sep 2018	
		Identified	Links To
Risk II - Increasing Demands on IT Services and the Modernised Agenda	Increased demand for IT services with a reducing budget poses a risk to the future development of IT infrastructure and the development and delivery of the modernised council agenda.	Sep 2017	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Modernised Council Agenda</li> <li>People and Business Change Service Plan</li> </ul>

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Risk 11 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Risk Score	6	6	6	6
	Risk Rating	●	●	●	●

Sep 2018	
Risk - Direction of Risk	Direction
No perceived change to level of risk this quarter	→

### Planned Mitigation

Sep 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
Page 69 <input checked="" type="checkbox"/> Risk 11.01	Manage and develop effective IT services following transition to SRS by establishing strong retained client-side management arrangements, processes and procedures.	External review of IT/Digital included meetings with key stakeholders and report to be produced in October. This will include strengths, weaknesses and opportunities for improvement. Ongoing scheduling and prioritisation of work in Delivery Group with IT Service.
<input checked="" type="checkbox"/> Risk 11.02	Development and implementation of digital by default by committing to move all transactional services online and fully digitising the back-office.	Good progress made in the implementation of new Customer Relationship Management (CRM) system which will provide a comprehensive digital platform for the council. Initial phase will replace the existing e-forms and later phases will replace the existing core CRM system.
<input checked="" type="checkbox"/> Risk 11.03	Monitoring of carefully considered data set to manage performance of the SRS arrangement/demand on services.	Performance monitoring as part of SRS Delivery Group. External review of progress as detailed in risk 11.01. Further report on SRS progress at Partnerships Scrutiny in April 2019.

# Risk 12 - Increasing Risk of Cyber Attack

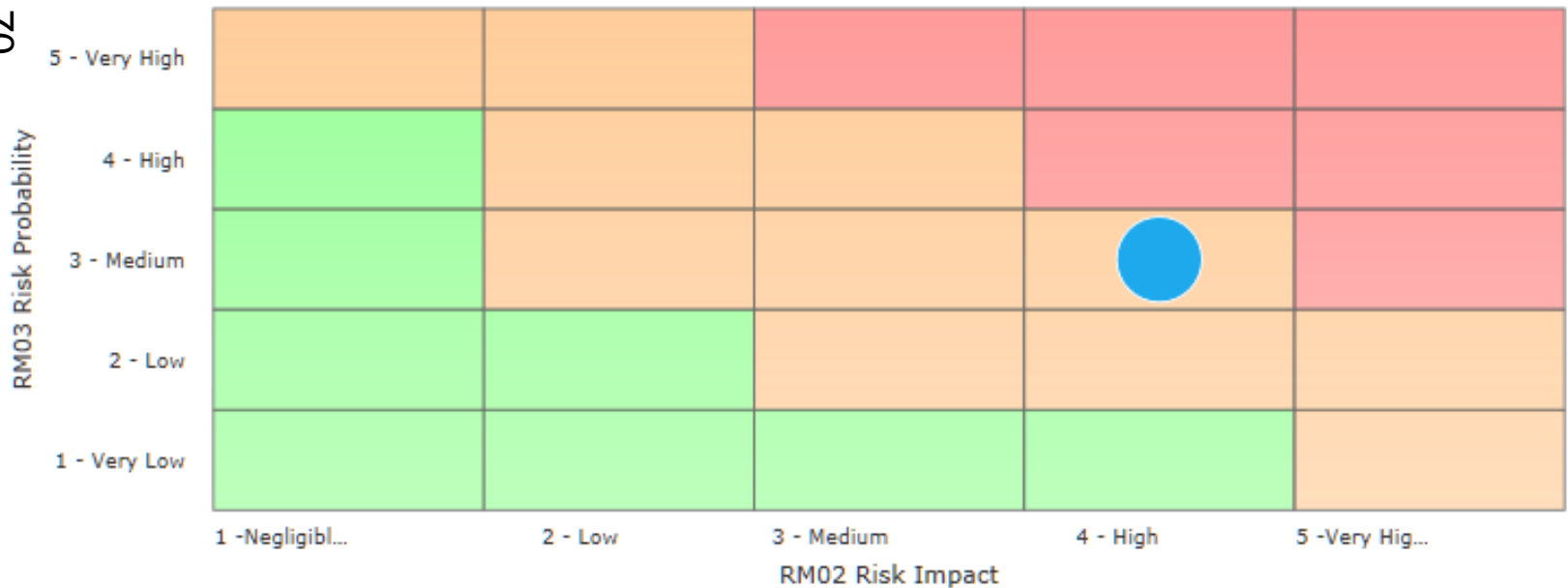
Responsible Officer	Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Community and Resources

Risk rating prior to mitigation

August 2017 - Medium (9)

Risk	Description	Sep 2018	
		Identified	Links To
Risk 12 - Increasing Risk of Cyber Attack	Risk of data loss, disaster recovery, impact of possible fines.	Sep 2017	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Modernised Council Agenda</li> <li>People and Business Change Service Plan</li> </ul>

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Risk 12 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Risk Score	9	9	12	12
	Risk Rating	●	●	●	●

Sep 2018	
Risk - Direction of Risk	Direction
There is no change to the perceived level of risk since the previous quarter	→

### Planned Mitigation

Sep 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 12.01	Using and Securing Data in line with the council's Digital Strategy. Numerous information risk management activities including the role of the Information Governance Group, Senior Information Risk Owner (SIRO), and Annual Information Risk Report. Also managing compliance, information security incident management, training and awareness raising.	Information risk management activities continue to be managed by the Information Governance Group, SIRO and information governance team. A PSN resubmission will be made at the end of October once the final high vulnerability identified in the Annual IT Health Check is resolved. This work has been prioritised by the IT Service for a number of months . The annual information risk report has been presented to the Cabinet Member and will be reviewed by Scrutiny Management Committee. Improvements to business continuity are being progressed with the IT Service.
<input checked="" type="checkbox"/> Risk 12.02	Working with SRS to implement Office 365, including cyber security suite.	This project is on-going, this will be implemented in quarter 4.

## Risk 13 - Asset Management: Carriageways and Buildings

Responsible Officer	Strategic Director - Place
Lead Cabinet Member	Cabinet Member for Streetscene The Deputy Leader and Cabinet Member for Assets and Member Development

Risk rating prior to mitigation

August 2017 - High (20)

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Risk	Description	Sep 2018	
		Identified	Links To
Risk 13 - Asset Management: Carriageways and Buildings	This links to budget challenge and Government changes to financial settlement and grant funding. This refers to the council's ability to maintain assets in the short, medium and long term due to increasing budget pressures.	Sep 2017	<ul style="list-style-type: none"> <li>▪ Corporate Asset Management Plan 2018-2023</li> <li>▪ Corporate Property Strategy and Strategic Asset Management Plan 2013-2018</li> <li>▪ Streetscene Service Plan</li> </ul>

### Risk 13 - Description/Rationale

#### Carriageways

It is acknowledged throughout Wales that current funding levels fail to ensure a minimum of steady state in highway condition and untreated highway assets continue to deteriorate. Although Newport has proactively used its powers to fund highway condition improvements through prudential borrowing and has benefited from Welsh Government's Local Government Borrowing Initiative (LGBI), the cessation of the Welsh Government's Road Maintenance Grant has resulted in under investment into the city's carriageway asset stock since 2014/15.



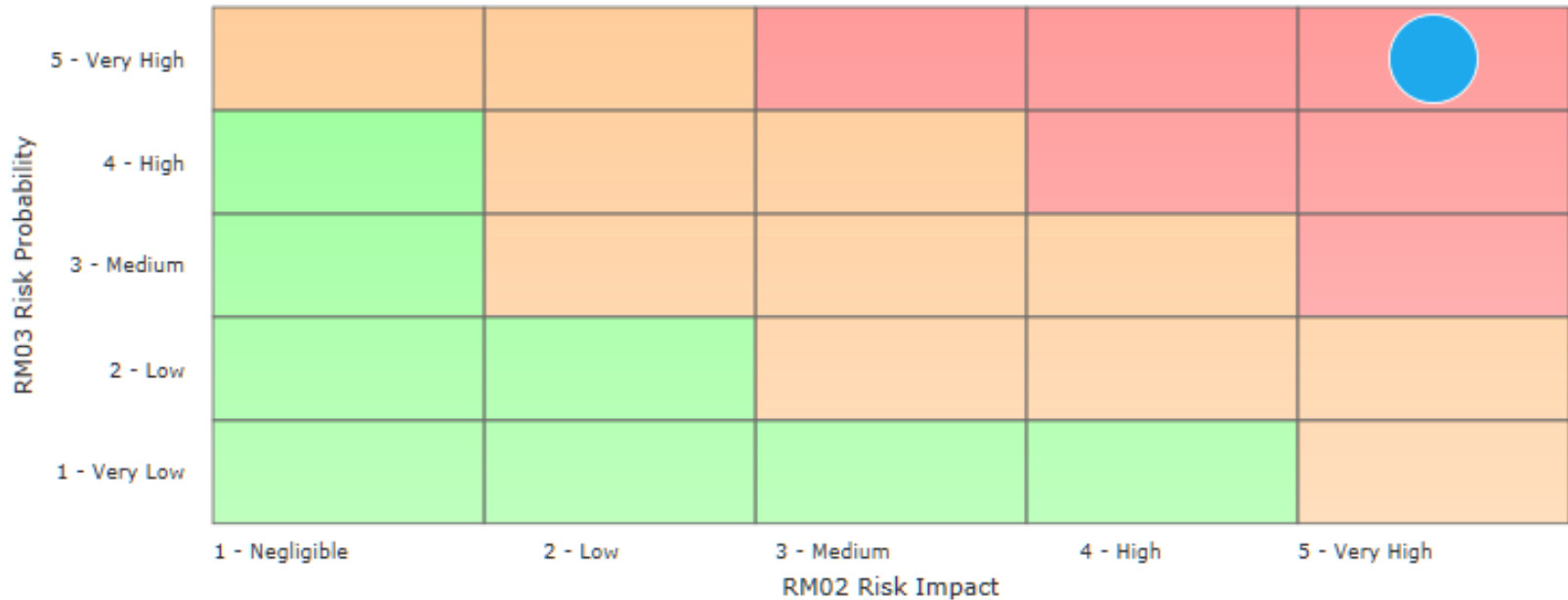
Carriageway condition is a Public Accountability Measure within the council's suite of performance indicators. using the Horizons asset management tool, highway condition can be forecasted for future years against differing levels of capital funding. Using a zero capital budget scenario, the condition evaluations are:

- Cost (over 5 year period) to bring the network up to standard (clear maintenance backlog) = £31.8M.
- Cost (over 5 year period) to keep the PIs PAM 020,021 and 022 at a steady state (maintain current network condition) = £13.4M.
- Gross replacement cost £646M.

### **Buildings**

Newport City Council has a significant property estate, many of which have suffered from a lack of annual and cyclical repair, maintenance and investment. £1.5M is invested annually within the NCC estate from the Capital Maintenance Programme, however, this is not enabling a meaningful impact in reducing the maintenance backlog, which is estimated to be at a value of £50M (dated May 2017). NCC is investing its repair and maintenance programme at a rate of £105/m<sup>2</sup> which is particularly low compared to adjacent authorities and public sector organisations.

The majority of backlog is contained within building elements such as roofs, timber windows, boilers and electrical works. Based on a maintenance backlog estimate of £50M and assuming a £3M annual depreciation across the estate an investment of £8M per annum would be required.



Risk 13 - Assessment Date & Score					
Series					
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Risk Score	20	25	25	25
	Risk Rating	▲	▲	▲	▲

Sep 2018	
Risk - Direction of Risk	Direction
Carriageway Assets- Current funding levels are not maintaining steady state in asset condition as a minimum. As a result, condition continues to decline. £1m road resurfacing grant was received from Welsh Government for implementation in 2018/19. Although this was welcomed, it has little impact on the current asset condition. The way that the backlog is calculated is refining as we collect more data. The current backlog on assets ranked as red and amber is £21m	➔

## Planned Mitigation

Sep 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 13.01	Carriageways – The limited capital investment has been implemented to maximise the safety, serviceability and sustainability of the highway asset. However, asset condition continues to decline.	Steve Davies Carriageways - Insufficient funding continues to impact of highway condition. Refinements in the way that highway authorities road condition is forecasted shows that current maintenance backlog for 2018/19 is predicted to be approximately £21m
<input checked="" type="checkbox"/> Risk 13.02	Carriageways – Robust highway inspection and repair regimes mitigate the risk of 3rd party claims as a result of failure of duty to maintain the highway under Section 41 Highways Act.	Carriageways – Robust highway inspection and repair regimes mitigate the risk of 3rd party claims as a result of failure of duty to maintain the highway under Section 41 Highways Act.
<input checked="" type="checkbox"/> Risk 13.03	Carriageways – Support WLGA in its lobbying of Welsh Government for the reintroduction of funding through another round of LGBI.	Welsh Government provided £1m one off grant for highway capital maintenance in 2018/19.
<input checked="" type="checkbox"/> Risk 13.04	Buildings – Condition surveys are being enhanced for 2017/18 and 2018/19 to better understand the entire estate, with a reduced commitment for each year thereafter for cyclical condition surveys and specialist surveys to accompany.	Work continues on the condition surveys. An interim status has been requested by the Capital Strategy and Asset Management Group (CSAMG) as to comparing the knowledge held upon the estate and the recent condition surveys to understand the level of accuracy and/or disparity.
<input checked="" type="checkbox"/> Risk 13.05	Buildings – A greater level of programming and prioritisation of the Capital Maintenance Programme for delivery to include life expectancy, building sufficiency and suitability, as well as backlog value.	Significant work has been undertaken over recent months with programme management, matrix and prioritisation calculations and weighted evaluations. This work will continue throughout the financial year due to the level of contingency and risk associated with the Council estate.

# Risk 14 - Recruitment and Retention of Specialist Professional Staff

Responsible Officer	Chief Executive
Lead Cabinet Member	Cabinet Member for Community and Resources

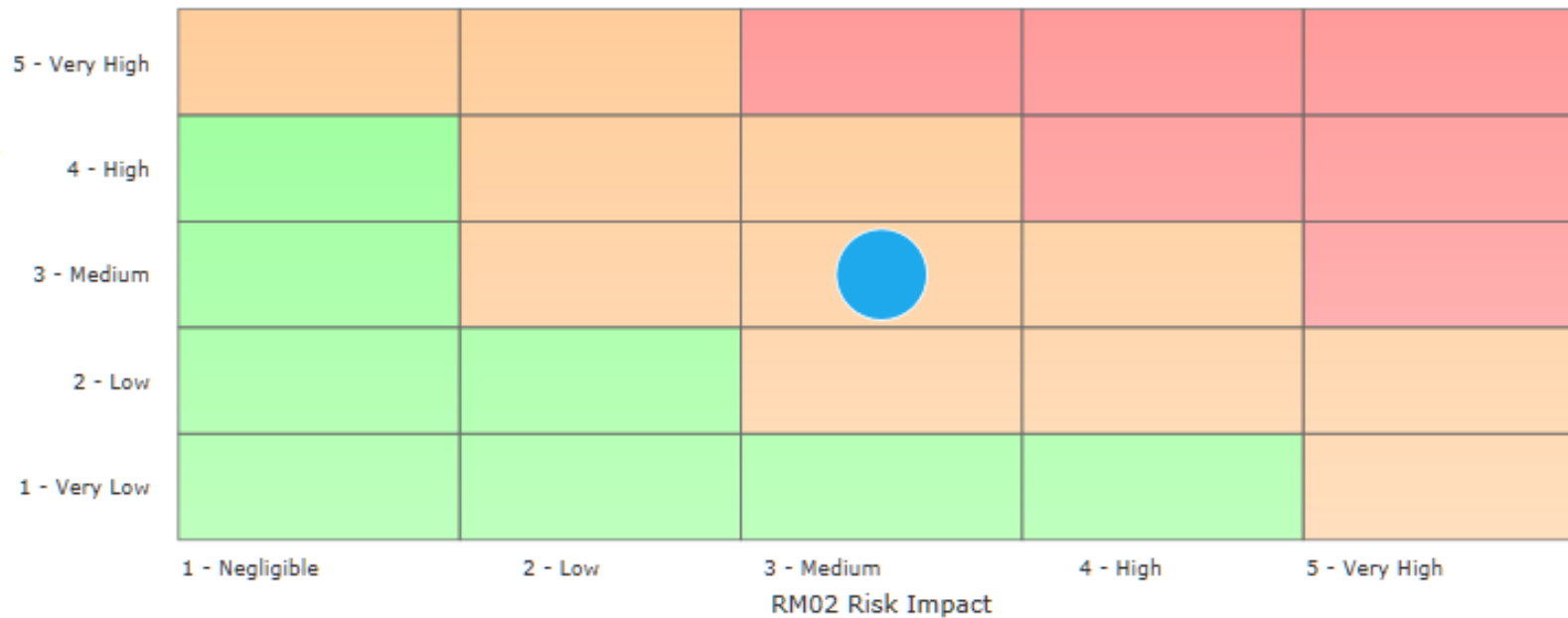
Risk rating prior to mitigation

August 2017 - Medium (12)

Risk	Description	Sep 2018	
		Identified	Links To
Risk 14 - Recruitment and Retention of Specialist Professional Staff	Resilience of council services and ability to retain specialist professional staff and attract new employees in a competitive market place.	Sep 2017	<ul style="list-style-type: none"> <li>Corporate Plan</li> </ul>

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RM03 Risk Probability



Risk 14 - Assessment Date & Score					
Series					
Risk Score		Risk Rating			
		Dec 2017	Mar 2018	Jun 2018	Sep 2018
> RM01 Risk Rating	Risk Score	12	12	9	9
	Risk Rating	●	●	●	●

Sep 2018	
Risk - Direction of Risk	Direction
Through discussion with the Risk Owner (Chief Executive) on 01/11/2018 that this risk can now be closed for the following reasons: 1. Both Risk Mitigation Actions have been implemented and are now closed. 2. The Capacity and Capability Risk already covers the risk relating to workforce recruitment, succession planning and training of existing staff. 3. A new risk mitigation action will be raised in the Capacity and Capability risk to oversee the implementation of the Talent Management Framework and Succession Planning.	➔

### Planned Mitigation

Sep 2018		
	Planned Mitigation	Risk - Action Status/Control Strategy
<input checked="" type="checkbox"/> Risk 14.01	Review of equal pay audit in March 2018 to ensure integrity of the Council's pay and grading system.	In Quarter 1 this action was resolved and will now be closed from Q3 onwards.
<input checked="" type="checkbox"/> Risk 14.02	Effective succession planning practices demonstrated in key service areas where risk is perceived to be high.	The Council has now launched the talent management framework and also the management in action workshops for all line managers, service managers. this will now enable the Council to identify potential leaders and successors going forward within the service areas.  As a result of this work it has been agreed by the Risk Owner (will Godfrey) to close this action within the risk and to move it over to the Capacity and capability risk.

## Appendix 2

### How the Council Assesses Risk

An assessment of the likelihood and impact of risk is important to measure, compare and monitor risks to ensure efficient use of resources and effective decision making. This assessment is carried out using the risk matrix as described below.

### Risk Assessment Matrix

A Corporate Risk Register will contain the high level risks for the whole authority. In order to differentiate between these high level risks a 5x5 risk assessment matrix will be applied. The matrix is shown below and further detail is included in appendix 3.

Risks are scored using the scoring system for probability and impact and assigned a rating based on the tolerances set out in the matrix below

### Risk Scoring

Probability description	Score
Very Low probability	1
Low probability	2
Medium probability	3
High probability	4
Very high probability	5
Impact description	Score
Negligible	1
Low	2
Medium	3
High	4
Very High	5

### Risk Matrix

<b>Probability</b>	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<b>Impact</b>				

## Appendix 3

### Impact Matrix

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						Health & Safety	Reputational
			Strategic	Operational	Financial	Resources	Governance			
1	Negligible	Low impact. Localised effect		Minor disturbance of non-key area of operations	Unplanned budgetary disturbance <£100k	Loss of asset/money with value >£2k			Reportable (non-serious) accident affecting one employee/member of public/service user	Isolated complaint(s)
2	Low	Low impact for organisation as a whole. Medium localised impact		Minor disruption of a key area of operations or more significant disruption to a non-key area of operations	Unplanned budgetary disturbance £100-£500k	Loss of asset/money with value £2-10k	Mild WAO criticism in report. Mild criticism from a legal/regulatory authority. Isolated fraud	Reportable (non-serious) accident affecting small number of employees/members of public/service users	Formal complaints from a section of stakeholders or an institution	
3	Medium	Medium impact for organisation as a whole	Noticeable constraint on achievement of a key strategic objective	Major disruption of a service area for a short period or more minor disruption of a service area for a prolonged period	Unplanned budgetary disturbance £500k-£2M	Loss of asset/money with value £10-50k	Adverse WAO report. Significant criticism from a legal/regulatory authority requiring a change of policy/procedures. Small-scale fraud relating to a number of people or more significant fraud relating to one person	Reportable (non-serious) accident(s) affecting a significant number of employees/members of public/service users or a serious injury to a single employee/member of public/service user	Formal complaints from a wide range of stakeholders (e.g. several institutions), adverse local press, complaint/s upheld by Ombudsman	

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						
			Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
4	High	High impact for organisation as a whole	Severe constraint on achievement of a key strategic objective	Major disruption of a service area for a prolonged period or major disruption of several service areas for a shorter period	Unplanned budgetary disturbance £2-5M	Loss of asset/money with value £50-100k	Qualified account. Severe criticism from WAO/legal/regulatory authority requiring major overhaul of policy/procedures, Significant fraud relating to several employees	Serious injury of several employees/members of public/service users	Significant loss of confidence amongst a key stakeholder group. Adverse national press
	Very High	Catastrophic	Failure of a key strategic objective	Major disruption of several key areas of operations for a prolonged period	Unplanned budgetary disturbance >£5M	Loss of asset/money with value >£100k	Severe service failure resulting in WAG intervention/special measures Widespread significant fraud	Death of employee(s)	Severe loss of confidence amongst several key stakeholder groups. Damning national press



## Probability

Score	General Description	Definition
1	Very Low probability	2% chance of occurrence
2	Low probability	5% chance of occurrence
3	Medium probability	10% chance of occurrence
4	High probability	20% chance of occurrence
5	Very high probability	50% chance of occurrence

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# Report

## Audit Committee

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### Part 1

Date: 22 November 2018

Item No: 6

**Subject** **Report on Treasury Management for the period to 30 September 2018**

**Purpose** This report is to inform the Audit Committee of treasury activities undertaken during the period to 30 September 2018 and confirms that all treasury and prudential indicators have been adhered to in the first half of the financial year.

**Author** Assistant Head of Finance

**Ward** General

**Summary** The Council continues to be both a short term investor of cash and borrower to manage day-to-day cash flows. Current forecasts indicate that in the future, temporary borrowing will continue to be required to fund normal day to day cash flow activities.

All borrowing and investments undertaken during the first half of the year was expected and within the Council's agreed limits.

**Proposal** **To note the report on treasury management activities for the period to 30 September 2018 and provide comments to Council.**

**Action by** Head of Finance

**Timetable** Immediate

This report was prepared after consultation with:

- Treasury Advisors
- Head of Finance

Please list here those officers and members you have consulted on this report.

**Signed**

## **BACKGROUND**

1. The Council's Treasury Management Strategy and Prudential Indicators were approved by Council in February 2018 alongside the Medium Term Financial Plan and the 2018/19 Budget.
2. The Treasury Management Strategy for 2018/19 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.
3. Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter.
4. The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority will be producing its Capital Strategy later in 2018/19 for approval by full Council.
5. The Welsh Government (WG) asked for comments on changes to its Guidance on Minimum Revenue Provision (MRP). These include clarification or changes to terminology and the calculation of MRP.
6. The report has been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code, and reviews and reports on:
  - Borrowing Strategy / Activity
  - Investment Strategy / Activity
  - Economic Background
  - Compliance with Prudential Indicators approved by Council

## **BORROWING STRATEGY / ACTIVITY**

### **Short and Long Term Borrowing**

7. Whilst the Council has significant long term borrowing requirements, the Council's current strategy of funding capital expenditure is through reducing investments ('internal borrowing') rather than undertaking new borrowing i.e. we defer taking out new long term borrowing and fund capital expenditure from day to day positive cash-flows for as long as we can.

By using this strategy the Council can also minimise cash holding at a time when counterparty risk remains high. The interest rates achievable on the Council's investments are also significantly lower than the current rates payable on long term borrowing and this remains the main reason for our current 'internally borrowed' strategy.

8. Whilst the strategy minimises investment counterparty risk, the risk of interest rate exposure is increased as the current low longer term borrowing rates may rise in the future. The market position is being constantly monitored in order to minimise this risk.
9. As shown in Appendix B, during the first half of the year the amount of borrowing has reduced by a small amount of £0.7m to £146.8m, this relates to loans which we have taken out on an interest and principal repayment basis.

10. No further long term loans have been taken out in the first half of the financial year. However, it is anticipated that the Council will need to undertake additional borrowing on a short term basis for the remainder of the year in order to cover normal day to day cash flow activity. With current estimates it is not expected that any additional long-term borrowing would be required in this financial year. However, the £40m stock issue is maturing on 10<sup>th</sup> April 2019, therefore is the possibility if it is deemed beneficial to do so with advice from our external advisors that we would take out borrowing early if the cost of carry is favourable.
11. Appendix B summarises the Council's debt position as at 30 September 2018. The changes in debt outstanding relate to the raising and repaying of temporary loans.
12. In regards to LOBOs, no loans were called during the period. All £30m outstanding is subject to potential change of interest rates by the lender (which would automatically trigger a right to the Council to repay these loans) prior to the end of this financial year. Should a change of interest rate be requested, then it will be considered in detail and a decision on how we proceed will be made in conjunction with our treasury advisors.

## **INVESTMENTS ACTIVITY / POSITION**

13. The Council's strategies in this area of Treasury Management are (i) to be a short term and relatively low value investor and (ii) investment priorities should follow the priorities of security, liquidity and yield, in that order.

The Council's strategy of being a short-term investor has been maintained, though the repayment of the Friar's Walk loans has increased cash holdings temporarily. In line with our strategy, this will be allowed to reduce over the next year or so. As at 30 September 2018, there was a £22.6m balance of short-term investments.

14. All investments are placed on a temporary basis and are placed in high security institutions, in line with our other strategy in this area, dealing with our investing priorities of (i) security (ii) liquidity and (iii) yield, in that order. At the 30 September 2018 £21.0m was placed with various local authorities and £1.6m with Santander Call Account with the maximum maturity date of 14 June 2019.
15. January 2018 saw the implementation in the UK of the second Markets in Financial Instruments Directive (MiFID II), where firms will be obliged to treat all local authorities as retail clients unless they opt up to professional client status and meet certain criteria. These criteria include holding a minimum of £10m investment balance and employing knowledgeable and experienced staff to carry out investment transactions. It is anticipated that our investment balances will remain well above the minimum £10m, until the start of 2019/20, when the stock issue of £40m will be due, at this point the Council will need re-finance and undertake new long-term borrowing.
16. The Council does not hold any long-term (more than 364 days) investments as at 30 September 2018.

## **OTHER MID YEAR TREASURY MATTERS**

### **Economic background and Counter Party Update**

17. Appendix A outlines the underlying economic environment during the first half of the financial year, as provided by the Council's Treasury Management Advisors Arlingclose.
18. As discussed previously in this report the Council does not have any long-term investments, and the investments that it currently undertakes is mainly with other local authorities which are deemed very secure, therefore the risk is currently limited. There were no significant changes in credit ratings advised in the first half of the financial year that had implications for the approved lending list. The long term rating of Santander UK, the Council's bankers, remains at A above the Council's minimum

level of A-.

### Compliance with Prudential Indicators approved by Council

19. The Authority measures and manages its exposures to treasury management risks using various indicators which can be found in Appendix B. The Authority has complied with the Prudential Indicators for 2018/19, set in March 2018 as part of the Treasury Management Strategy. Details of treasury-related Prudential Indicators can be found in Appendix B.

### Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Investment counterparty not repaying investments	High but depending on investment value	Low	The Council only invests with Institutions with very high credit scores. It employs advisors to monitor money market movements and changes to credit scores and acts immediately should things change adversely. The lower levels of funds available for investment will also alleviate the risk.	Members, Head of Finance, Treasury staff, based on advice from treasury advisors
Interest Rates moving adversely against expectations	Low	Low	Despite recent increase in the bank rate to 0.75%, future expectations for higher short term rates are subdued. The Treasury strategy approved allows for the use of short term borrowing once investment funds are exhausted to take advantage of these low rates.	Head of Finance, Treasury staff, treasury advisors

\* Taking account of proposed mitigation measures

### Links to Council Policies and Priorities

It is the Council's policy to ensure that the security of the capital sums invested is fully recognised and has absolute priority. The Council follows the advice of the Welsh Governments that any investment decisions take account of security, liquidity and yield in that order.

### Options Available

The Prudential Code and statute requires that, during and at the end of each financial year, reports on these matters are presented to Council for approval. Thus the only option available is consider the report and provide comments to the Council.

### Preferred Option and Why

Note the contents of the report and provide comments to the Council.

## **Comments of Chief Financial Officer**

Decisions made on treasury matters will be made with a view the Treasury Management Strategy, Treasury Advisors and Prudential Indicators.

## **Comments of Monitoring Officer**

There are no legal implications. The in-year and annual treasury management report is consistent with relevant Chartered Institute of Public Finance and Accountancy Guidance, Treasury Management principles and the Council's investment strategy.

## **Staffing Implications: Comments of Head of People and Business Change**

There are no staffing implications arising from this report.

## **Comments of Cabinet Member**

N/A.

## **Background Papers**

Treasury Management Strategy report to Audit Committee January 2018.

Report to Council February 2018: 2018/19 Budget and Medium Term Financial Plan

Dated: 04 November 2018

## APPENDIX A

### External Context

**Economic background:** Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%, which it has remained at since.

Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29<sup>th</sup> March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

**Financial markets:** Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher money market rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

**Credit background:** Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.

The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc - is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.



Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

## APPENDIX B

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in table 1 below.

Table 1: Balance Sheet Summary

	<b>31.3.18 Actual £m</b>
General Fund CFR	282.2
Less: Other debt liabilities *	-45.1
<b>Borrowing CFR</b>	<b>237.1</b>
Less: Usable reserves	-102.9
Less: Working capital	4.0
<b>Net borrowing</b>	<b>130.2</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position as at 30 September 2018 and the change over the period is show in table 2 below.

Table 2: Treasury Management Summary

	<b>31.3.18 Balance £m</b>	<b>Movement £m</b>	<b>30.9.18 Balance £m</b>	<b>30.9.18 Rate %</b>
Long-term borrowing	145.5	(40.7)	104.8	4.44
Short-term borrowing	2.0	40.0	42.0	8.48
<b>Total borrowing</b>	<b>147.5</b>	<b>(0.7)</b>	<b>146.8</b>	<b>5.60</b>
Long-term investments	-	-	-	-
Short-term investments	(21.0)	-	(21.0)	0.75
Cash and cash equivalents	(3.2)	1.6	(1.6)	0.65
<b>Total investments</b>	<b>(24.2)</b>	<b>1.6</b>	<b>(22.6)</b>	<b>0.74</b>
<b>Net borrowing</b>	<b>123.3</b>	<b>0.9</b>	<b>124.2</b>	<b>N/A</b>

### Borrowing Strategy during the half year

At 30<sup>th</sup> September 2018 the Authority held £146.8m of loans, (a decrease of £0.7m on 31<sup>st</sup> March 2018), as part of its strategy for funding previous years' capital programmes. The 30<sup>th</sup> September 2018 borrowing position is show in table 3 below.

**Table 3: Borrowing Position**

	<b>31.3.18 Balance £m</b>	<b>Movement £m</b>	<b>30.9.18 Balance £m</b>	<b>30.9.18 Weighted average rate %</b>	<b>30.9.18 Weighted average maturity years</b>
Public Works Loan Board	70.5	(0.7)	68.8	4.50	15.8
Banks (LOBO)	30.0	0	30.0	4.43	35.7
Banks (fixed-term)	5.0	0	5.0	3.77	59.4
Stock Issue	40.0	0	40.0	8.875	0.5
Local authorities (long-term)	0	0	0	-	-
Local authorities (short-term)	2.0	0	2.0	0.62	0
<b>Total borrowing</b>	<b>147.5</b>	<b>(0.7)</b>	<b>146.8</b>	<b>5.60%</b>	<b>17.0</b>

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

In keeping with these objectives, no new long term borrowing was undertaken while £0.7m of existing loans were allowed to mature without replacement. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

The "cost of carry" analysis performed by the Authority's treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken.

The Authority continues to hold £30m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the first half of 2018/19.

### **Investment Activity**

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2018/19 the Authority's investment balance ranged between £20m and £46m due to timing differences between income and expenditure. The investment position during the half year is shown in table 4 below.

**Table 4: Investment Position**

	<b>31.3.18 Balance £m</b>	<b>Movement £m</b>	<b>30.9.18 Balance £m</b>	<b>30.9.18 Weighted average rate %</b>	<b>30.9.18 Weighted average maturity Years</b>
Banks & building societies (unsecured)	1.0	0.6	1.6	0.65	0
Government (incl. local authorities)	20.0	1.0	21.0	0.75	0.28
<b>Total investments</b>	<b>21.0</b>	<b>1.6</b>	<b>22.6</b>	<b>0.74</b>	<b>0.28</b>

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The

Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

### Compliance Report

The Head of Finance is pleased to report that all treasury management activities undertaken during the first half of 2018/19 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 5 below.

Table 5: Investment Limits

	<b>30.9.18 Actual (£m)</b>	<b>2018/19 Limit (£m)</b>	<b>Complied</b>
Any single organisation, except UK Central Government	1.6	£10m	✓
UK Central Government	21.0	Unlimited	✓
Any group of organisations under the same ownership	0	£10m per group	✓
Registered Providers	0	£5m	✓
Loans to unrated corporates	0	£5m	
Unsecured investments with Building Societies	0	£5m	✓

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	<b>H1 Maximum (£m)</b>	<b>30.9.18 Actual (£m)</b>	<b>2018/19 Operational Boundary (£m)</b>	<b>2018/19 Authorised Limit (£m)</b>	<b>Complied</b>
Borrowing	150	147	197	217	✓
PFI & finance leases	45	45	46	46	✓
<b>Total debt</b>	<b>195</b>	<b>192</b>	<b>243</b>	<b>263</b>	<b>✓</b>

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

### Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed was:

	<b>30.9.18 Actual</b>	<b>2018/19 Limit</b>	<b>Complied</b>
Upper limit on fixed interest rate exposure	100%	100%	✓
Upper limit on variable interest rate exposure	0	50%	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	30.9.18 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	22%	70%	0%	✓
12 months and within 24 months	27%	60%	0%	✓
24 months and within 5 years	6%	60%	0%	✓
5 years and within 10 years	23%	50%	0%	✓
10 years and within 20 years	7%	30%	0%	✓
20 years and within 30 years	0%	20%	0%	✓
30 years and within 40 years	10%	20%	0%	✓
40 years and within 50 years	2%	20%	0%	✓
50 years and above	3%	20%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2018/19	2019/20	2020/21
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	40	10	10
Complied	✓	✓	✓

### **Outlook for the remainder of 2018/19**

Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

Arlingclose's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
<b>Official Bank Rate</b>													
<b>Upside risk</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<b>Arlingclose Central Ca:</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.00</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>
<b>Downside risk</b>	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

# Report

## Audit Committee

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### Part 1

Date: 22 November 2018

Item No: 7

**Subject** **Lessons Learned – 2017/18 Accounts Closedown and Financial Statements Preparation**

**Purpose** This report presents the findings of an initial lessons learned review carried out by finance officers following the 2017/18 accounts closedown. It gives an assessment on the findings of the lessons learned review and the plans in place to implement for 2018/19 and the key risks to the closedown process for 2018/19.

**Author** Assistant Head of Finance

**Ward** General

**Summary** Following the closedown of the 2017/18 accounts, a lessons learned review was required to put into place improvements for the closedown of the accounts process. This lessons learned review should be taken as a matter of course, and with the issues that arose from the audit of the 2017/18 accounts, this review is of high importance to ensure improvements are delivered for 2018/19.

A meeting has already taken place with Wales Audit Office (WAO) to discuss what needs to be put in place to meet the earlier closing deadline and which areas of the accounts can be audited early.

**Proposal** **Committee is recommended:**

To note the lessons learned process that has been carried out to date and agree the proposed plan for 2018/19 closedown.

**Action by** Head of Finance/Assistant Head of Finance – implement proposals and processes highlighted in the report.

**Timetable** Immediate

This report was prepared after consultation with:

Finance Teams  
Wales Audit Office

**Signed**

## **Background**

The 2017/18 year end saw further improvements from previous years and a number of the actions from the lessons learned reported to Audit Committee in November 2017 were implemented.

These included:

- Completion of single entity accounts by 8<sup>th</sup> June and group accounts by June 13<sup>th</sup>
- Draft accounts came to Audit committee on the 21<sup>st</sup> June signed by the Head of Finance
- Finance accounts and ISA260 went out for briefing early September.
- Further improvements made to working papers provided to Wales Audit Office and in a more timely manner.

While there was significant progress made again within 2017/18 there are still a number of improvements that need to be made to ensure a better process and completion of accounts by an earlier closing deadline in the near future. These are discussed further in the report.

2018/19 year end will be the first year where the final date on which the accounts must be signed and published will be brought forward from 30<sup>th</sup> June to 15<sup>th</sup> June with an audited statement completed 15<sup>th</sup> September.

Early discussions have taken place with Wales Audit Office, and a meeting has already taken place to discuss lessons learned with Finance Officers, as well as discussing work that could be undertaken early by both the Accountancy Teams and WAO to ensure that the revised deadlines can be met.

## **Outcome – Certification of the Accounts**

The opinion from the Independent Auditors report was that the accounts gave a true and fair view and have been properly prepared in accordance with the Code of Practice. This was in relation to both the single entity accounts and group accounts.

## **Process for improvement**

The process for challenge and improvement for 2017/18 accounts closedown and financial statements has already begun and key officers involved in the accounts closedown have been asked to provide their thoughts of:

- What went well?
- What didn't go well?
- What can be improved on?
- Key risks.

These have been completed and the next stage of this process is now to review these findings and timetable the improvements that can be implemented prior to planning the preparation of 2018/19 year end accounts. Some of the key themes that have come from the initial review are as follows:

- A number of the notes and tasks were completed earlier in the closedown process/during the financial year, such as income and expenditure testing for the first 11 months of the year, accumulative absence provision, sections of the Officer Remuneration note, depreciation, a number of areas of Property, Plant and Equipment note and review on certain leases.
- Classification and coding of expenditure and income needs to be improved.



- Continued improvement of working papers
- Weekly meetings with External Auditors meant that there was good, open engagement from both sides. Issues were raised early which enabled review and discussion with Key Finance staff.
- Reconciliations on transactions with other public bodies for Whole of Government Accounts were completed throughout the year
- Need to continue to improve the collection of third party data required for completion of accounts so the earlier deadlines can be met.
- Allowing WAO to have access to IT systems such as 'Oracle' and 'Information at Work' meant that they could undertake a significant amount of testing themselves.
- There were a significant amount of queries following asset revaluations, which took some time to resolve
- There were some changes to wording, in particular to the Head of Finance narrative which were only noted when the draft statement of accounts were presented to Audit Committee following review by the members.
- There was one uncorrected misstatement on the ISA260 which was the same as in 2016/17, work will be started shortly to correct this for 2018/19.

The next stage is to look at each of these in detail and assign the delivery of these improvements with individual officers/teams to ensure delivery where applicable.

## Key Risks

There are also a number of key risk areas that need to be focussed on and agreed with WAO at an early stage which will need to be discussed with WAO in the immediate future, these are:

- I. Continued early review of provisions, leases and PPE valuations
- II. Notes/accounts that can be reviewed by WAO prior to year end
- III. Classification of Expenditure and Income
- IV. Changes in accounting policies - IFRS 9 Financial Instruments
- V. Information required from third parties to complete statement of accounts (especially group)
- VI. Thorough review of the Statement of Accounts with a look to streamlining the accounts
- VII. QA undertaken by Members as part of the draft and final accounts timetable

### I. Review of provisions and leases

A review of certain provisions such as accumulated absence was undertaken by finance staff during early 2018 to enable WAO to review early prior to the end of the year. Building on the work that was completed early, the same work and early review is planned for early 2019. All other provisions and lease reviews will also be completed within the same timescales.

This review will be especially important in regards to leases due to the new IFRS 16 standard which replaces the earlier leasing standard IAS 17. Whilst the new standard does not come into force until the 2019/20 financial year, IFRS 16 could lead to major changes in the way local authorities account for assets used under lease arrangements and the obligations under those leases. Early review of leases will not only be important for 2018/19 year end, but will provide a solid foundation for the change to the new standard in 2019/20.

### II. Notes/accounts that can be reviewed by WAO prior to year end

Discussions have already taken place with WAO about which testing can be undertaken prior to the sign off of the draft accounts. This will include notes such as capital disposals/additions/impairments,

provisions, leases, creditors and early income/expenditure testing. Additional meetings have already been planned, once certain queries have been resolved to finalise what has discussed.

Officers have also had a meeting with Newport Norse to agree what information can be provided earlier in respect of revaluation of assets. As this information will be provided before year end, estimates will have to be used, but the processes and the data which will be as the basis has been discussed with WAO.

### III. Classification of Expenditure and Income

The 2017/18 audit identified a number of classification errors within the Income and Expenditure Analysis note. This note identified that a significant amount of 'employee benefits' were journalled from the correct code and recoded as 'other services expenditure'. A number of 'government grant income' was also incorrectly classified in the note, although this was correct within the financial system. A review has already been undertaken and work has commenced on improving the process to ensure that this does not happen in 2018/19. A review will be undertaken shortly on the work completed to date.

### IV. Changes in accounting policies - IFRS 9 Financial Instruments

A review of our financial instruments will take place during the year, with proposed treatment for the implementation of the new technical standard being provided to Wales Audit Office for review on an early basis. We do not anticipate the implementation of IFRS9 to have a significant impact on the statement of accounts.

### V. Information required from third parties to complete statement of accounts

There is a significant amount of information required from third parties in order to complete the statement of accounts. Delays in receiving some information meant that group accounts were completed a week later than single entity accounts. This is a risk considering the new earlier deadlines which will be implemented in 2018/19. The new deadlines for the statement of accounts and the dates for any required information have already been sent to parties concerned and reminders will be sent throughout the year leading up to year end.

### VI. Review of Statement of Accounts

We will undertake a full review of the accounts and notes within to assess whether the accounts can be "streamlined". This would assess whether any notes could be reduced or removed all together. This will look at materiality and also whether the information provided adds value to the reader of the accounts and is required by the Code of Practice. This may save on both the time to prepare the accounts and also the auditing of the accounts.

### VII. QA undertaken by Members as part of the draft and final accounts timetable

Members' involvement as part of the QA done during both the draft and final statement of accounts would ensure that the number of audit queries raised at audit committee would be minimal. This will also help with early closure of the accounts. This would be especially relevant for the Head of Finance narrative, this will be planned to be completed earlier in the process and time for QA will be built into the accounts timetable.

## **Communication**

Communication will be essential throughout this process, and we will need to engage the appropriate officers to take these improvements forward. Liaison with Wales Audit Office during the lessons learned and planning stages is also key to a smooth closedown and audit process. Following the initial lessons learned meeting discussions which need to take place with WAO include:

- Agreement to transactions and proposed methodologies/processes that can be completed earlier in the year (clarification of estimations and judgements used)
- Communication and agreement on upcoming policy changes
- Early review of provisions, leases and other relevant notes
- Agreement on level of working papers and timings- review of deliverables document
- Early discussions on earlier closing and working together to succeed

### Timetable for improvement

<b>October 2018</b>	Carry out lessons learned review with relevant officers on accounts closedown 2017/18 – <b>Completed</b>
<b>October 2018</b>	Meeting with Wales Audit Office to agree lessons learned and action plan – <b>completed</b>
<b>October 2018</b>	Communication with third parties to provide them with the requirements for earlier closing - <b>completed</b>
<b>November - December 2018</b>	Review of Oracle system to review coding structure, classification of expenditure and balances on accounts. Update word document and excel tables in preparation for 2017/18. Review of income and ensure that internal recharges are being dealt with correctly and consistently.
<b>Early December 2018</b>	First “closing” meeting set up with relevant officers to discuss lessons learned log, assign responsibilities, and discuss closing timetable.
<b>December 2018 – January 2019</b>	Provisions, leases and PPE valuations reviewed. Highways Network Asset systems reviewed by internal audit. Revaluations received from Newport Norse
<b>January 2019</b>	Review deliverables document with WAO with WAO undertaking early review of relevant notes where agreed.
<b>Early February 2019</b>	FINAL timetable and memo to be agreed with responsible officers and HoF
<b>February 2019</b>	Final timetable and memo sent out to appropriate officers
<b>February/March 2019</b>	Completion of earlier closedown tasks to take pressure off closedown periods
<b>3<sup>rd</sup> week April 2019</b>	<b>ALL</b> transactions relating to Outturn to have been completed
<b>4<sup>th</sup> week April 2019</b>	All “technical” transactions to be complete
<b>Continuous</b>	Working Papers to be completed at earliest opportunity rather than waiting for Outturn to be closed off – if not changing complete – checks to be made.
<b>Throughout May</b>	Put financial statements together as per agreed timetable.
<b>Third week May</b>	Completed draft SOA ready for QA and review QA undertaken by members
<b>Last week of May</b>	Approval of SOA by HoF – dates of Audit Committee to be confirmed

### Financial Summary

There are no direct financial implications arising from this report.

### Risks

There are a number of key risks to the closedown process that need to be mitigated against. The following table highlights these.

Risk	Impact	of	Probability	What is the Council doing or	Who	is
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	Risk if it occurs* (H/M/L)	of risk occurring (H/M/L)	what has it done to avoid the risk or reduce its effect	responsible for dealing with the risk?
Number of new staff/loss of key staff	M	M	Good working papers need to be set up and easy to follow. Complete work instructions and clear responsibilities for closing tasks	Finance
Delayed accounts due to reliance on third parties	M	L	Estimations/judgements may be required where the information isn't available from third parties i.e. accruals Ensure third parties are aware of timetable deadlines	Finance
New policies/treatments	L	L	Knowledge of changes to the 'Code' and impact on the Authority's financial statements. Attendance at relevant year end courses. Discussions with auditors at early stage of process.	Finance
Failure to approve and publish the accounts before the 15 Sept deadline increases the risk of qualification, and increases reputational external perception risks.	M	L	The Council works with its Auditors to ensure the Accounts are prepared and suitably reflect the financial position of the authority	Assistant/Head of Finance

\* Taking account of proposed mitigation measures

### **Links to Council Policies and Priorities**

Effective financial management is essential if an organisation is to achieve its stated objectives.

### **Options Available and considered**

Note and agree process of planned improvement following lessons learned review.

### **Preferred Option and Why**

As above

### **Comments of Chief Financial Officer**

Comments of the Chief Finance Officer are included in the above report.

### **Comments of Monitoring Officer**

There are no specific legal issues arising from the Report. Under the Public Audit (Wales) Act and the Accounts and Audit Regulations, the Council is required to prepare their draft statement of accounts for the previous financial year by 15th June and publish the final statement of Accounts by 15th September. The closure of the accounts for 17/18 was completed earlier than previous years as a result of lessons learned and improvements identified and were certified as a true record by the WAO in accordance with the CIPFA Code of Practice. This Report sets out further lessons and recommended improvements for the 18/19 accounts closure and financial statements process, for approval by Audit Committee.

### **Comments of Head of People and Business Change**

There are no HR or People and Business Change related matters arising directly from this report.

### **Comments of Cabinet Member**

N/A

### **Local issues**

There are no local issues arising from this report.

### **Scrutiny Committees**

N/A

### **Equalities Impact Assessment and the Equalities Act 2010**

N/A

### **Children and Families (Wales) Measure**

N/A

### **Wellbeing of Future Generations (Wales) Act 2015**

The report is mindful of the Act, especially in terms of the principles of transparency. The report sets out the development made to date in the Authority's year end work and the particularly how we can continue making progress and securing financial resilience and managing risk.

### **Crime and Disorder Act 1998**

N/A

### **Consultation**

N/A

### **Background Papers**

Statement of Accounts 2017/18 - available to public.

ISA 260 Audit of Financial Statements 2017-18 – available to public

Dated: 06/11/2018

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

## Final Accounts Memorandum 2017-18 - **Newport City Council and Newport City Council Group**

Audit year: 2017-18

Date issued: November 2018

Document reference: 906A2018-19

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

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# Contents

This document, which has been prepared and presented on behalf of the Auditor General, summarises the conclusions on the audit of the 2017-18 financial statements of Newport City Council and Newport City Council Group.

**Appendix 1** contains recommendations to Newport City Council's management.

**Appendix 2** summarises our performance against agreed measures.

## Summary report

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# Summary report

## Introduction

- 1 The financial statements are an essential means by which Newport City Council (the Council) and Newport City Council Group (the Group) account for their stewardship of the resources at their disposal and their financial performance in the use of those resources. The Auditor General's Code of Audit Practice identifies that it is the responsibility of the audited body to:
  - put in place systems of internal control to ensure the lawfulness of transactions;
  - maintain proper accounting records; and
  - prepare financial statements in accordance with relevant requirements.
- 2 As auditors, we are required to audit the financial statements and to issue an auditor's report which includes an opinion on whether the financial statements give a 'true and fair' view of the state of affairs of the Council and the Group. The auditor's report also gives our opinion on whether the financial statements have been prepared properly in accordance with relevant legislation, directions or regulations, and applicable accounting standards.
- 3 The Auditor General also reports by exception if:
  - the Annual Governance Statement does not reflect compliance with guidance;
  - adequate accounting records have not been kept;
  - financial statements are not in agreement with accounting records and returns;
  - information specified by Welsh Ministers regarding remuneration and other transactions is not disclosed; or
  - all the information and explanations required for audit have not been received.
- 4 The legislative authority for the Whole of Government Accounts (WGA) is the Resources and Accounts Act 2000 (the GRAA). This appoints the Comptroller & Auditor General (C&AG) as the auditor of the WGA. His audit opinion is underpinned by work carried out by a central WGA audit team within the National Audit Office and the auditors of component bodies that are included in WGA.
- 5 Most public sector bodies, including the Council, are required to provide WGA information under the HM Treasury's Whole of Government Accounts (Designation of Bodies) Order. This identifies the English and Welsh bodies to be included in the 2017-18 WGA.
- 6 However, due to changes in HM Treasury guidance this year, the Council fell below the thresholds required for an audit of its WGA return. As such, while the Council has still submitted a WGA return as required, for the first time this year we have not been required to audit this return.

## The Auditor General issued an unqualified opinion on the 2017-18 financial statements of Newport City Council and Newport City Council Group

- 7 On 25 September 2018, the Auditor General issued an unqualified auditor's report on the financial statements of the Council and the Group.
- 8 We received an approved draft Statement of Accounts prior to 30 June 2018, in line with the requirements of the Accounts and Audit (Wales) Regulations 2014. There have been clear improvements in the quality of the draft financial statements and the information available to support them over recent years. However, there remain some improvements to be made, the more significant of which are detailed in [Appendix 1](#).
- 9 We are required to report to those charged with governance the findings from our audit of the financial statements. The Auditor General's Audit of the Financial Statements report was presented to the Audit Committee on 20 September 2018. A summary of the findings is set out in [Exhibit 1](#).

### Exhibit 1: Audit of Financial Statements Report to the Audit Committee

Reporting requirement	Audit findings
Modifications to the auditor's report	No modification was required to the auditor's report.
Unadjusted misstatements	There was one unadjusted misstatement. The Newport Transport Ltd bus depot was held in the Group accounts at a value £434,000 lower than that provided by an external valuer.
Material weaknesses in the accounting and internal control systems identified during the audit	No material weaknesses in the accounting and internal control systems were identified during the audit.
Views about the qualitative aspects of the entity's accounting practices and financial reporting	No major weaknesses were noted. We have worked with management to review more significant or complex account areas earlier in the audit process, to meet upcoming faster closing deadlines.
Matters specifically required by other auditing standards to be communicated to those charged with governance	There were no other matters specifically required by audit standards to be communicated to those charged with governance.
Any other relevant matters of governance interest relating to the audit	There were no other relevant matters of governance interest to be reported.

- 10 Recommendations arising from our audit of the financial statements are set out in [Appendix 1](#).

# Appendix 1

## Recommendations from our 2017-18 audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

### Exhibit 2: Recommendation 1

Recommendation 1 – Group accounts	
<b>Findings</b>	<p>During our audit we identified a number of errors in the compilation of the Group accounts which took significant time to correct. It appears that the Council experienced delays in obtaining relevant information from Newport Transport Ltd. Consequently, there was limited time for management to process information in the Group accounts and carry out an appropriate quality assurance review.</p> <p>In addition, our 'Audit of Financial Statements' report outlined an unadjusted immaterial misstatement of £434,000. This resulted from differing accounting policies being applied for the valuation of fixed assets.</p>
<b>Priority</b>	High
<b>Recommendation</b>	<p>With approval of the 2018-19 draft accounts required by 15 June 2019 (approximately two weeks earlier than last year), the Council should liaise with Newport Transport Ltd to ensure that all required deliverables will be received in time to meet this deadline. This should ensure that the Group accounts can be prepared and reviewed appropriately by management prior to approval, reducing the level of errors noted during our audit.</p> <p>Further, the Council should liaise with Newport Transport Ltd to harmonise the company's accounting policy for fixed asset valuations with that of the Group.</p>
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	<p>Newport Transport have been made aware of the timescales and requirements for earlier closure in 2019/20 and have agreed to meeting these.</p> <p>We will liaise with Newport Transport to get them to change their valuation on their balance sheet, which will sort out the mismatch between the NCC policy and the Group accounts.</p>
<b>Implementation date</b>	Immediate

Exhibit 3: Recommendation 2

<b>Recommendation 2 – coding of payroll expenditure</b>	
<b>Findings</b>	<p>In Appendix 3 of our 'Audit of Financial Statements' report we outlined material classification errors in Note 8 of the financial statements. In particular, £5.8 million of payroll costs had been incorrectly classified as 'other services expenditure' in the note (although this error did not affect the Council's overall expenditure total or General Fund balance).</p> <p>On review, management identified that this classification error arose from the Education service area journaling payroll transactions incorrectly in the ORACLE ledger between 'sub-codes', to allow them to analyse expenditure on a specific project. This process affected the classification of expenditure within the financial statements.</p>
<b>Priority</b>	High
<b>Recommendation</b>	<p>The Council should confirm appropriate means for service areas to analyse income and expenditure within the ORACLE ledger that uses the appropriate coding for the statement of accounts.</p> <p>For example, ORACLE allows such analysis through the use of separate 'option codes' which provide further analysis that should not affect classification within the financial statements.</p>
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	<p>Appropriate colleagues have been made aware of the importance of appropriate coding in relation to the statement of accounts.</p> <p>In relation to this specific issue the changes to coding are immediate.</p>
<b>Implementation date</b>	Immediate

Exhibit 4: Recommendation 3

<b>Recommendation 3 – government grant income audit trail</b>	
<b>Findings</b>	<p>As part of our audit work we select a sample of government grant income amounts received by the Council during the year, agreeing amounts to award letters (or other correspondence) and confirming that sufficient expenditure has been incurred to recognise the full grant that year.</p> <p>As part of our 2017-18 testing of grant income we reviewed the Education Improvement Grant (EIG). Expenditure under this grant is largely devolved to the budgets of individual schools. While it was evident that the grant had been passed to the schools, it proved difficult for management to confirm that appropriate expenditure had been incurred by individual schools during the year to match the conditions of the grant.</p> <p>We were eventually able to confirm that sufficient expenditure had been incurred to recognise the full grant in the year, but this took significant effort from both management and the audit team.</p>
<b>Priority</b>	Medium
<b>Recommendation</b>	The Council should ensure that an adequate audit trail is in place to corroborate expenditure recorded against grant income each year. This will allow the audit team to complete testing of grant income in a more efficient manner during our final audit visit.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	The schools team will liaise with schools to agree what evidence and working papers is required to be kept to ensure sufficient evidence is kept to corroborate expenditure against the grant.
<b>Implementation date</b>	January 2019

# Appendix 2

## Wales Audit Office performance measures

We agreed a range of targets for the delivery of our work as set out in our 2018 Audit Plan. I have summarised our performance against these targets below.

### Exhibit 5 – Performance measures

Planned output	Target	Outcome
Audit of the Financial Statements Report	September 2018	Presented to Audit Committee on 20 September 2018
Opinion on Financial Statements	September 2018	Audit Opinion signed on 25 September 2018
Final Accounts Memorandum	November 2018	Presented to Audit Committee on 22 November 2018

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# Report

## Audit Committee

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### Part 1

**Date:** 24 May 2018

**Subject** **Standing Order 24 (Urgent Decisions) or Waiving of Contract Standing Orders Quarter 4: January to March 2018**

**Purpose** To inform Members of the use of Standing Order 24 or the Waiving of Contract Standing Orders in recent decisions taken by Cabinet and Cabinet Members.

**Author** Democratic Services Officer

**Ward** General

**Summary** This report provides details of decisions on the use of Standing Order 24 (decisions taken urgently) or the Waiving of Contract Standing Orders for the above period.

In consideration of this report, Members are reminded that they are not questioning the merits of the decisions taken but are focussing on why decisions were taken as urgent or why contract standing orders needed to be waived.

**Proposal** **The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.**

**Action by** Audit Committee

**Timetable** Immediate

This report was prepared after consultation with:

- Head of Law & Regulation
- Head of Finance
- Chief Internal Auditor

## **Background**

Details of the decisions taken by Cabinet/Cabinet Members during the above period are set out in the table below, together with a commentary from the Chief Internal Auditor. Copies of the report giving rise to the decision are attached.

In this section you must set out all necessary information to allow Councillors to take an informed decision. You will need to put forward the case to support your proposals.

## **Financial Summary**

The cost implications of the decisions were set out in the original reports to the Cabinet Members. There are no cost implications of the Committee's consideration of this report.

## **Risks**

Scrutiny of these matters by the Committee is an important means of ensuring that the reasons for the urgency or waiving of Contract Standing Orders were properly addressed in the decision making process and that decisions are transparent.

## **Options Available / Preferred Option and Why**

The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.

## **Comments of Chief Financial Officer**

See original reports attached.

## **Comments of Monitoring Officer**

See original reports attached.

## **Comments of Head of People and Business Change**

See original reports attached.

## **Equalities Impact Assessment and the Equalities Act 2010**

See original reports attached.

## **Children and Families (Wales) Measure**

See original reports attached.

## **Wellbeing of Future Generations (Wales) Act 2015**

See original reports attached.

## **Consultation**

See original reports attached.

Subject	Decision & Date	Reason for Urgency/Reason to waive Contract Standing Orders	Comments of Chief Internal Auditor
<b>Living Levels Landscape Partnership Heritage Lottery Fund Offer – Partnership Agreement</b>	<b>Cabinet Member for Regeneration &amp; Housing and Cabinet Member for Streetscene</b>  <b>2 February 2018</b>	<p>The Heritage Lottery Fund, through Big Lottery had a deadline of the 5 February 2018 in order to announce the award of £2.54 million to the Living Levels Scheme for which Newport City Council would be the major beneficiary. This would not be awarded unless they had a signed partnership agreement document from the Council on that day.</p>	<p>There is no clear justification for the urgency of this decision recorded in the papers presented. Although a deadline was set, a timeline of key events was not included in the papers to show when the Heritage Lottery Fund communicated with the Council to inform them of the potential of the funding.</p>
<b>Michaelstone y Fedw Village Hall</b>	<b>Cabinet Member for Assets &amp; Member Development</b>  <b>22 March 2018</b>	<p>The Welsh Government had provided funding for installation of High Speed Broadband for communities at this location (MyFi). The project was underway and would entail installation of service hubs and 25 kilometres of cabling by the end of 2018. At Michaelstone y Fedw, the location of the server hub was within the subject land. This was the first element of the construction project and installation must start during the first week of April 2018. Based on discussion, the MyFi project had committed contractually and facilitating work would start physically before the end of February 2018. To protect both parties and to facilitate the Broadband installation, it would be necessary to complete the new lease before the facilitating work commenced.</p>	<p>There is no clear justification for the urgency of this decision recorded in the papers presented. A timeline of key events for the project programme was not included in the papers.</p>
<b>Town Centre Repayable Scheme</b>	<b>Chair Cabinet</b> <b>28 March 2018</b>	<p>This report was considered urgent due to the imminent deadline for allocation of the Town Centre Repayable Funding to a scheme within the city centre. If the funding was not allocated to a scheme by the 31 March, the funding would have to be either returned to the Welsh Government or a partner local authority, with the result that the potential investment would be lost to Newport.</p>	<p>There is no clear justification for the urgency of this decision recorded in the papers presented.</p> <p>Although comments including “pressure on timescales to allocate the limited funding available”; “Due to the restricted timescale, the first cycle”; “The funding is available for a limited window” have been stated within</p>

			the supporting papers, no actual dates or timelines have been included stating when communications were had or decisions taken within this process.
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**Background Papers**

The following documentation is provided as background to the above decisions:

**Cabinet Member for Regeneration & Housing and Cabinet Member for Streetscene – 2 February 2018**

**Living Levels Landscape Partnership Heritage Lottery Fund Offer – Partnership Agreement**

- Decision Schedule attached as **Appendix A**;
- Report attached as **Appendix B**

**Cabinet Member for Assets & Member Development – 22 March 2018**

**Michaelstone y Fedw Village Hall**

- Decision Schedule attached as **Appendix C**
- Report attached as **Appendix D**

**Chair of the Cabinet – 28 March 2018 – 28 March 2018**

**Town Centre Repayable Scheme**

- Decision Schedule attached as **Appendix E**
- Report attached as **Appendix F**

Dated: 24 May 2018

# Report

## Cabinet Member for Assets and Member Development Deputy Leader

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### Part 1

Date: 22 March 2018

**Subject** Michaelstone y Fedw Village Hall

**Purpose** To renew the lease on terms set out in this report, incorporating rights to install Broadband infrastructure and rights for the Tenant to purchase the freehold interest.

### Reason For Urgency

Welsh Government has provided funding for installation of High Speed Broadband for communities at this location (MyFi). The project is underway and will entail installation of service hubs and 25 kilometres of cabling by the end of the year. At Michaelstone y Fedw, the location of the server hub is within the subject land. This is the first element of the construction project and installation must start during the first week of April. Based on discussion, the MyFi project has committed contractually and facilitating work will start physically before the end of February. To protect both parties interest and to facilitate the Broadband installation, it will be necessary to complete the new lease before the facilitating works commence.

**Author** Housing and Assets Manager

**Ward** Marshfield

**Summary** Terms have been agreed for a renewal of the lease of the subject premises. This has been agreed on terms that will enable installation of new Broadband infrastructure. To meet the construction programme, it is necessary to approve and complete the new lease as an urgent action.

**Proposal** To take this decision urgently as it is so urgent that it cannot go through the Council's agreed consultation process and/or must be implemented immediately and therefore not subject to the Council's call in procedures for the reasons set out under 'Reasons for Urgency' above.

**Contact** Benjamin Hanks  
[benjamin.hanks@newport.gov.uk](mailto:benjamin.hanks@newport.gov.uk)

**Action by** Head of Regeneration, Investment and Housing

**Timetable** Immediate

This report was prepared after consultation with:

- Strategic Director, Place
- Head of Regeneration, Investment and Housing
- Head of Law and Regulations – Monitoring Officer
- Head of Finance – Chief Finance Officer
- Head of People and Business Change

**Signed**

## 1. Background

- 1.1 The subject premises (plan attached) has been leased to a local Committee for many years. The arrangement appears to work well, in that there is an active community programme delivered at the premises with minimal involvement by Council officers. The previous lease placed external repairing obligations on the Council but in practice all internal and external repairs have been undertaken by the Lessees.
- 1.2 The latest lease terminated in 2013 and new terms were offered, based on the tenant taking all maintenance responsibility. Unfortunately, this has never been agreed and therefore the tenant continues to “hold over” on the terms of the previous lease.
- 1.3 A Welsh Government initiative to upgrade Broadband currently is being rolled out at this location. Following survey work, it was decided that the preferred location for the Broadband infrastructure is within the demised area. For this to be installed however, it will be necessary to have a new lease in place.
- 1.4 It has therefore been possible to agree terms for a new lease, subject to Council approval, including passing all maintenance liability to the tenant. This is conditional however, on the lease being executed on a programme to meet the requirements of the Broadband project. We are advised that the final decision regarding purchasing the required Broadband equipment was taken on Friday 9<sup>th</sup> February. Whilst the Committee will take a view on this matter, they will not proceed unless the Council indicates that, in principle, it will grant a lease incorporating the term below.
- 1.5 The Tenant has requested that, for the first five years of the term, it has the right to purchase the freehold of the premises for full value (as determined by an independent surveyor). It is understood Council officers are comfortable to recommend this term be accepted, as the premises appears to have no strategic importance. In addition, if the Council received full value for a disposal, it would protect its capital for reinvestment.
- 1.6 Agreeing the lease renewal would protect both parties position, improve the terms of letting from the Council’s perspective and support roll-out of the Broadband project. In order to meet the project programme however, an urgent decision is required.

## 2. Financial Summary

The costs and financial implications:

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes
<b>Costs (Income)</b>	125	150	150	150	None
<b>Net Costs (Savings)</b>					
<b>Net Impact on Budget</b>					

- 2.1 The current rent of £125 pa will increase to £150 pa.
- 2.2 The financial risk associated with the external repairs, currently carried by the Council, will transfer to the lessee under the new arrangements.

- 2.3 Should the Lessee exercise its right to acquire the freehold interest, the Council will receive the full value of the premises, by way of a capital receipt.

### 3. Risks

- 3.1 Present arrangements are not satisfactory but the proposed new arrangements will improve the Council's position significantly, from both a practical and financial perspective.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
The Council is unable to undertake the necessary administration to complete the new lease, in the small window of time available to it	Medium	Low	For every effort to be made across the Council, to complete the transaction expeditiously.	Housing & Assets Manager

### 4. Links to Council Policies and Priorities

- 4.1 Corporate Asset Management Plan  
4.2 Corporate Plan

### 5. Options Available and Considered

- 5.1 Decline to renew the lease and continue occupation by "holding over" on previous terms.  
5.2 Agree to renew the lease, incorporating rights to install Broadband infrastructure and rights to purchase the freehold.

### 6. Preferred Option and Why

- 6.1 Agree to renew the lease, incorporating rights to install Broadband infrastructure and rights to purchase the freehold. This will protect the interests of the Council and its Tenant, as well as facilitating installation of new Broadband infrastructure.

### 7 Comments of Monitoring Officer

- 7.1 The proposed lease renewal is in accordance with the Council's statutory powers to dispose of land under section 123 of the Local Government Act 1972. The grant of the original lease would have constituted a "disposal", given the length of the term, and the land would have been declared surplus to the Council's requirements and appropriated for general asset management purposes before the lease was entered into. Therefore, the principle of transferring this property as a community asset has already been established. The renewal of the lease on the agreed terms also enables the Council to regularise the maintenance and repairing obligations, with the Hall Committee taking full responsibility for the property. The extended term and proposed option to buy will also enable the Committee to commit to the installation of the new Broadband infrastructure at the premises. The grant of the proposed unconditional right for the Committee to purchase the freehold outright within the first 5 years of the new lease term, would need to be at market value in order to meet the best value requirements of s123 of the Act. However, the



mechanism in the lease for the joint appointment of an independent surveyor to fix the sale price will be sufficient for this purpose. The sale would generate a capital receipt and the building has no strategic value for the Council. However, it may be necessary to impose some form of restrictive covenant on the sale of the freehold, to ensure that it remained as a community asset.

## **8 Comments of Chief Financial Officer**

- 8.1 There are no financial implications in the report. The current rent will increase slightly by £25 per year and the maintenance liability will now lie with the local committee, rather than the council.

## **9. Comments of Head of People and Business Change**

- 9.1 Ensuring access to high speed broadband for rural communities is increasingly important in ensuring economic prosperity, social inclusion and the viability of services. There are also benefits to cultural and environmental wellbeing e.g. in terms of reducing vehicle journeys, supporting home-working and allowing access to online services. If the renewal of the lease is necessary to facilitate the investment in improving broadband connectivity then this is supported.

## **10. Comments of Cabinet Member**

- 10.1 The Cabinet Member supports this action, as it will protect the interest of the Council and the Village Hall Committee.
- 10.2 An urgent decision will help facilitate installation of broadband infrastructure.

## **11. Local issues**

- 11.1 None

## **12. Scrutiny Committees**

- 12.1 N/A

## **13. Equalities Impact Assessment and the Equalities Act 2010**

- 13.1 The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership.
- 13.2 The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users.
- 13.3 In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not.

- 13.4 The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

## **14. Children and Families (Wales) Measure**

- 14.1 Although no targeted consultation takes place specifically aimed at children and young people, consultation on planning applications and appeals is open to all of our citizens regardless of their age. Depending on the scale of the proposed development, applications are publicised via letters to neighbouring occupiers, site notices, press notices and/or social media. People replying to consultations are not required to provide their age or any other personal data, and therefore this data is not held or recorded in any way, and responses are not separated out by age.

## **15. Wellbeing of Future Generations (Wales) Act 2015**

- 15.1 The Well-being of Future Generations (Wales) Act 2015 ensures that public bodies across Wales, including local authorities, think about the long-term, work better with communities and each other, look to prevent problems and take a more joined-up approach. To achieve this, the Act puts in place 7 well-being goals

- A globally responsive Wales
- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh Language

- 15.2 If the disposal proceeds the Council will, as far as possible, seek to ensure any future development demonstrates the application of the sustainable development principle put into place by the Act.

## **16. Crime and Disorder Act 1998**

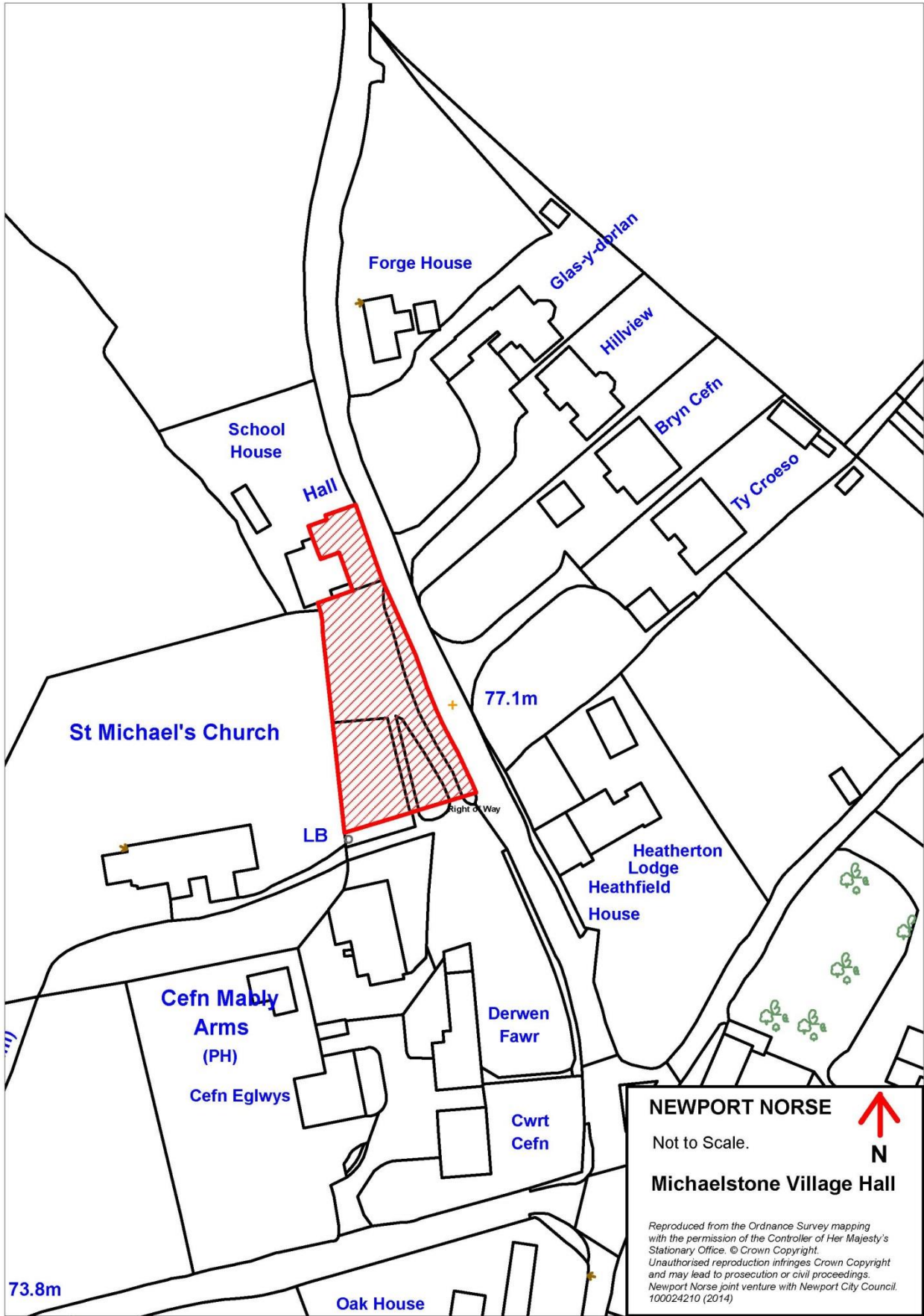
- 16.1 Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

## **17. Consultation**

- 17.1 Comments received from wider consultation, including comments from elected members, are detailed in each application report in the attached schedule.

## **18. Background Papers**

- 18.1 Site Plan attached.



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# Decision Schedule

## CM for Assets & Member Development Deputy Leader

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TO ALL MEMBERS OF NEWPORT CITY COUNCIL

### Decision Schedule published on 22 March 2018

The Cabinet Member took the following decision on 22 March 2018. It will take immediate effect. The reason for this is that the Welsh Government has provided funding for installation of High Speed Broadband for communities at this location (MyFi). The project is underway and will entail installation of service hubs and 25 kilometres of cabling by the end of the year. At Michaelstone y Fedw, the location of the server hub is within the subject land. This is the first element of the construction project and installation must start during the first week of April. Based on discussion, the MyFi project has committed contractually and facilitating work will start physically before the end of February. To protect both parties interest and to facilitate the Broadband installation, it will be necessary to complete the new lease before the facilitating works commence.

The decision is not subject to the 'Call-in- Process.

In accordance with Standing Order 24 – Urgent Matters, this matter will be forwarded to the Audit Committee.

In accordance Reports relating to staffing issues/Confidential reports are not circulated to all members of the Council as part of the consultation/call-in processes.

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### **A&MD 02/18**

#### **Michaelstone y Fedw Village Hall**

#### **Options Considered/Reasons for Decision**

To renew the lease on terms set out in this report, incorporating rights to install Broadband infrastructure and rights for the Tenant to purchase the freehold interest.

Terms have been agreed for a renewal of the lease of the subject premises. This has been agreed on terms that will enable installation of new Broadband infrastructure. To meet the construction programme, it is necessary to approve and complete the new lease as an urgent action.

#### **Decision**

To renew the lease on terms set out in this report, incorporating rights to install Broadband infrastructure and rights for the Tenant to purchase the freehold interest

To take this decision urgently as it is so urgent that it cannot go through the Council's agreed consultation process and/or must be implemented immediately and therefore not subject to the Council's call in procedures for the reasons set out under 'Reasons for Urgency' above.

This decision is not subject to the consultation process or the call in period for the reasons described above.

**Consultation**

Head of Finance, Head of People and Business Change

**Implemented by:** Head of Regeneration, Investment and Housing

**Implementation Timetable:** Immediate

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COUNCILLOR M WHITCUTT, CABINET MEMBER FOR ASSETS & MEMBER DEVELOPMENT  
DEPUTY LEADER

22 March 2018

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Newport Norse is a Joint Venture between  
Newport City Council, Norse Commercial  
Services and NPS Property Consultants

## **BRIEFING NOTE**

**SUBJECT:** Michaelston Y Fedw Village Hall  
**FROM:** Head of Regeneration, Investment and Housing  
**DATE:** 5 September 2018

### **1. PURPOSE OF THE NOTE**

To outline the reasons for taking a decision to grant a lease of the above premises, under urgent action procedure.

### **2. BACKGROUND**

The subject premises is owned freehold by the Council but has been subject, for many years, to a lease to the local Village Hall Committee (“the Lessee”). The arrangement has worked well, in that the premises is used for a range of community activities, all delivered at no cost to the Council.

Key events in the timeline to this matter are set out below.

17 September 2013 – The then current lease expired by effluxion of time. The Lessee continued to utilise the premises, “holding over” on the terms of the previous lease. The parties were unable to agree terms for a new lease, especially those relating to maintenance of the premises.

20 November 2017 – It was confirmed that Welsh Government funding available for installation of high-speed Broadband to improve services to the wider community. Plan of proposed Broadband equipment and cabling tabled. No indication of programme provided.

17 January 2018 – Following technical and legal reviews, it was noted that the existing tenure was inappropriate for the proposed Broadband installation works. The Lessee requested that the Council grants a new (amended) lease.

24 January 2018 – The Lessee changes details of the proposed infrastructure works. Norse, on behalf of the Council, outlines indicative terms, which would cover the requirements, to the Lessee.

25 January 2018 – Norse officer, on behalf of the Council, meet the Committee to discuss terms for a new lease. The Committee was prepared to accept all terms proposed but would proceed only if the lease contained a right for it to purchase the premises, at full value, in the first 5 years.

The Committee indicated it has committed to the new Broadband contract and could delay deciding the location of the services no later than 12 February. The strong preference was to locate infrastructure within the premises but this required the new lease.

30 January 2018 – Norse provided detailed Heads of Terms for a new lease. These were subject to formal instructions from the Council. Instructions requested from the Council.

6 February 2018 – The Lessee indicates its decision date for the location of the infrastructure has been brought forward to 9 February. The Lessee indicated however, that it might take a view and proceed at risk, in order to ensure the infrastructure improvements are delivered.

7 February 2018 – Head of Law and Regulation asked to confirm procedural requirements under the Council's constitution.

14 February 2018 – Head of Law and Regulation advises. As the lease will contain a binding right to purchase the freehold, a formal Cabinet Member decision to proceed is required. He highlighted the urgent decision making process, available under the constitution.

Cabinet Member briefed.

The Lessee continues to press for progress due to works being undertaken at their risk.

Legal officers asked to prepare draft lease, pending decision by Council.

15 February 2018 – First draft of urgent action report prepared.



28 February 2018 – The Lessee expresses concern that the lease is not concluded and work is underway. Update provided for the latest Committee Meeting.

22 March 2018 – Formal decision to grant new lease, incorporating revised terms, taken by the Cabinet Member.

9 April 2018 – New lease completed.

### **3. COMMENT**

Installation of the high-speed Broadband infrastructure improved services to the wider community. Funding for the works however, was available within a specific time window. Completing the new lease was required to properly manage the installation works and therefore the lease process needed to be concluded as a matter of urgency. There was insufficient time for any prior consultation or post-decision call-in period.

### **4. RECOMMENDATION**

That the Committee notes the content of this note.

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# Report

## Audit Committee

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### Part 1

**Date:** 20 September 2018

**Item:** 12

**Subject** **Standing Order 24 (Urgent Decisions) or Waiving of Contract Standing Orders Quarter 1: April to June 2018**

**Purpose** To inform Members of the use of Standing Order 24 or the Waiving of Contract Standing Orders in recent decisions taken by Cabinet and Cabinet Members.

**Author** Governance Officer

**Ward** General

**Summary** This report provides details of decisions on the use of Standing Order 24 (decisions taken urgently) or the Waiving of Contract Standing Orders for the above period.

In consideration of this report, Members are reminded that they are not questioning the merits of the decisions taken but are focussing on why decisions were taken as urgent or why contract standing orders needed to be waived.

**Proposal** **The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.**

**Action by** Audit Committee

**Timetable** Immediate

This report was prepared after consultation with:

- Head of Law & Regulation
- Head of Finance
- Chief Internal Auditor

## **Background**

Details of the decisions taken by Cabinet/Cabinet Members during the above period are set out in the table below, together with a commentary from the Chief Internal Auditor. Copies of the report giving rise to the decision are attached.

In this section you must set out all necessary information to allow Councillors to take an informed decision. You will need to put forward the case to support your proposals.

## **Financial Summary**

The cost implications of the decisions were set out in the original reports to the Cabinet Members. There are no cost implications of the Committee's consideration of this report.

## **Risks**

Scrutiny of these matters by the Committee is an important means of ensuring that the reasons for the urgency or waiving of Contract Standing Orders were properly addressed in the decision making process and that decisions are transparent.

## **Options Available / Preferred Option and Why**

The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.

## **Comments of Chief Financial Officer**

See original reports attached.

## **Comments of Monitoring Officer**

See original reports attached.

## **Comments of Head of People and Business Change**

See original reports attached.

## **Equalities Impact Assessment and the Equalities Act 2010**

See original reports attached.

## **Children and Families (Wales) Measure**

See original reports attached.

## **Wellbeing of Future Generations (Wales) Act 2015**

See original reports attached.

## **Consultation**

See original reports attached.

Subject	Decision & Date	Reason for Urgency/Reason to waive Contract Standing Orders	Comments of Chief Internal Auditor
<p><b>Families First Programme</b></p>	<p><b>Cabinet Member for Communities and Resources</b></p> <p><b>16 May 2018</b></p>	<p>The reason for urgency was that in October 2017 Newport discovered it was to become an early adopter of Welsh Government's new grant funding initiative Flexible Funding from 1 April 2018. Little information however, was made available on how this new fund was to operate and the recommissioning of Families First, which was already in progress, was put on hold until a fuller understanding of how the funding would impact the service was understood. The current Families First contracts were due to expire on 31 March 2018 and as all extensions within the existing contract terms were exhausted it was being requested that Contract Standing Orders be waived so an extension for a further year be granted. This extension would allow a further review of the programme in accordance with the Flexible Funding guidance and result in either recommissioning services or commissioning new services from 1 April 2019.</p>	<p>There is appropriate justification within the report to support the CM's decision to waive the Council's CSOs.</p> <p>However, there is very little justification in the report to support the urgency of the decision.</p> <p>The report was dated 16 May 2018, as was the CM decision even though action was required by the 1 April 2018; there is no valid reason within the report why the CM was asked to make a retrospective decision.</p> <p>The report clearly states that WG issued new guidance in April 2017 to become effective from April 2018 and that NCC had been notified of their Pathfinder status in October 2017. This would give ample time to request that the CM waive CSOs for the reasons stated in the report and therefore the need for an urgent decision was not required. The request to make an urgent decision should be justified.</p>

## Background Papers

The following documentation is provided as background to the above decisions:

### **Cabinet Member for Communities and Resources – 16 May 2018**

#### **Families First**

- Decision Schedule attached as **Appendix A**
- Report attached as **Appendix B**

Dated: 31 August 2018



## Appendix B

# Report



## Cabinet Member for Communities & Resources

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### Part 1

Date: 16 May 2018

**Subject** Families First Programme

**Purpose** To seek the Cabinet Member's approval to waive Contract Standing Orders to extend for a period of one year, until 31<sup>st</sup> March 2019, existing Families First contracts granted to external consortia as the provision of extensions within the contract terms have been exhausted.

### Reason For Urgency

In October 2017 Newport discovered it was to become an early adopter of Welsh Government's new grant funding initiative Flexible Funding from the 1<sup>st</sup> April 2018. However little information was made available on how this new fund was to operate and the recommissioning of Families First, which was already in progress, was put on hold until a fuller understanding of how the funding would impact the service was understood. The current Families First contracts are due to expire on the 31<sup>st</sup> March 2018 and as all extensions within the existing contract terms have been exhausted it is being requested that Contract Standing Orders be waived so an extension for a further year can be granted. This extension will allow a further review of the programme in accordance with the Flexible Funding guidance and result in either recommissioning services or commissioning new services from the 1<sup>st</sup> April 2019.

If urgent approval is not given to a waiver of Contract Standing Orders, current services will not be in place for the start of the new financial year and vulnerable families already receiving the services will be left without support. There is also a risk that all the money for 2018- 2019 available under the Families First grant (within the Flexible Funding allocation) will not be spent in line with the spending profile and this could result in ultimately losing money from the overall programme.

**Author** Families First Programme Manager

**Ward** All

**Summary** This report proposes that the contracts for the strands named below are extended until 31<sup>st</sup> March 2019. This extension is outside of the contract terms and is not in compliance with Contract Standing Orders but will allow the Council to implement the flexible funding arrangements for Families First as these become clearer over the next year. This would also allow a review of the Programme to take place under these arrangements which would lead to commissioning/decommissioning of Families First services as required within the city.

As all of the extensions to the external contracts permitted within Contract Standing Orders have been exhausted a Cabinet Member decision will be required to waive Contract Standing Orders for this proposed extension. The values of the individual

Families First contracts are below the OJEU 'Light Touch Regime for Social and other specific services (Regulation 74) threshold of £615K so there is no legal requirement for the Council to tender them in accordance with the Public Procurement Regulations Act 2015 and therefore we are seeking approval to extend them for a further year.

**Proposal**      **To approve the waiving of Contract Standing Orders to extend the Families First contracts with the organisations named below until March 31<sup>st</sup> 2019.**

To take this decision urgently as it is so urgent that it cannot go through the Council's agreed consultation process and/or must be implemented immediately and therefore not subject to the Council's call in procedures for the reasons set out under 'Reasons for Urgency' above."

**Contact**      Sue O'Brian

**Action by**      Head of Regeneration, Investment and Housing

**Timetable**      To be in place by 1<sup>st</sup> April 2018

This report was prepared after consultation with:

- Strategic Director - Place
- Head of Law and Regulation – Monitoring Officer
- Head of Finance – Chief Finance Officer
- Head of People and Business Change
- Head of Regeneration, Investment and Housing
- Audit Manager
- Category Manager – Finance
- Community Regeneration Manager

**Signed**



## Background

Newport has been in the receipt of the Families First Grant from Welsh Government since 2011. The current programme was put in place in 2012, the total budget for 2017/18 was £2,428,374.00 with external contracts as listed below amounting to £1,233,548.00. A list of the external contracts are detailed below:-

<b>Strand (or Project)</b>	<b>Lead Organisation</b>
Family Health and Wellbeing:	Newport Live
Confident and Nurturing Families:	Barnardos
Newport Parent Network:	GAVO
Income Maximisation (Disability Strand):	CAB
Young Carers (Disability Strand):	Barnardos
Serennu Play and Youth Clubs (Disability strand):	Sparkle (jointly with NCC)
Children with Additional Needs Service (Disability Strand):	Barnardos (jointly with NCC)

In October 2016 an extensive and thorough review and evaluation of Families First in Newport was carried out by the Institute of Public Care. This review judged the programme to be fit for purpose and to be meeting the needs of the citizens of Newport.

The Review states:

“The Newport Families First Programme has remained largely unchanged since its initial inception with the structure of six strands still in place. However, the services offered to children and families have undoubtedly been on a journey in this time. This journey has led to the development of a well-structured model that provides a continuum of support, which is informed by, and responds to, local needs and provides a level of early intervention and prevention for children and families that aims to prevent the escalation of their needs to such an extent that they require intervention through Social Services.”

A Recommissioning Group began to meet in February 2017 to look at the current needs in Newport but in April 2017 Welsh Government issued new guidance effective from April 1<sup>st</sup> 2018, refocussing delivery of the Programme. Within the new guidance we would be unable to include any strands that supported families dealing with debt or employability issues (unless they were in the Disability Strand). In fact the refocusing of the Programme meant that it would now work with families to support parenting, work with young people, and work to prevent or mitigate Adverse Childhood Experiences (ACE'S). Therefore the Family Skills project delivered by SEWREC would have to be decommissioned from April 2018.

In October 2017, the Local Authority heard that the city had been chosen to be a Full Flexibility Pathfinder under the new Flexible Funding arrangements. The Full Flexibility pathfinder will give 100% flexibility across grants in order to achieve increased programme alignment, make more effective use of funding and meet local needs.

Forward planning for Flexible Funding has been problematic as with any new funding stream, information regarding implementation from the Welsh Government has not always been available, which has resulted in delays in decision making. Consequently the recommissioning of Families First was paused and it was decided that the Cabinet Member should be approached to give permission to extend the Families First Contracts for another year to provide time for the local authority and partners to decide the best utilisation of the money available through Flexible Funding. This will benefit the services provided in Newport as it will avoid duplication of services and give more scope to design services to support the drive for more preventative, long-term approaches.

As current contracts for Families First are due to expire on 31<sup>st</sup> March 2018, the Local Authority as the Grant Holder has to seek a Cabinet Member decision to waive Contract Standing Orders to extend the current contracts relating to Families First (where the activities of the strands concerned meets the requirements of the new guidance for Families First). However as the disaggregated value of the contracts are below the OJEU 'Light Touch Regime for Social and other specific services (Regulation 74) threshold of £615K there is no legal requirement in accordance with the Public Procurement Regulations 2015 to invite competitive tenders we are seeking approval to extend them for a further year.

As will be seen in the table below (within the Financial Summary) which illustrates the plans for the contracts for the next year, there are staffing implications within Newport City Council and with external providers if these contracts are not extended. The delivery plan based on the extension of these contracts has been accepted by the Welsh Government which means that there will not be any claw back of funding.

### Financial Summary

<b>Strand</b>	<b>Project</b>	<b>Lead Organisation</b>	<b>Activity</b>	<b>17/18 Total External Contract Budget £1,233,548.00</b>	<b>18/19 Total External Contract Budget £840,279.00</b>
Children and Young People Skills	Newport Parent Network	GAVO	To enable parents and carers to have a voice in and influence the planning and delivery of services and to increase the voices of seldom heard parents in Newport.	£27,000	£26,514
Family Well-Being	Family Well-Being	Newport Live	This project provides a multi-agency approach to addressing the family and community health needs of Newport through targeted health promotion, focused events, activities and provision designed to encourage physical activity. Professional support on all family diet, mental health and substance misuse issues will be available to meet identified needs. The project is led by Newport Live in Consortia with Newport Mind, Aneurin Bevan Health Board and Kaleidoscope.	£348,190	£325,055
Confident and Nurturing Families	Confident and Nurturing Families	Barnardos	This project recognises and builds on parenting strengths and increasing resilience, and encourages healthy relationships and support networks	£206,165	£202,454
Disability Family Support	Children with Additional Needs	Barnardos and NCC	The CANS team provides support for families whose child or children are aged 0-17 years and present with additional needs, which may be associated with a physical or cognitive impairment, and extends to physical, learning difficulties,	£109,955	£107,976

<b>Strand</b>	<b>Project</b>	<b>Lead Organisation</b>	<b>Activity</b>	<b>17/18 Total External Contract Budget £1,233,548.00</b>	<b>18/19 Total External Contract Budget £840,279.00</b>
			sensory impairment and complex health needs.		
Disability Family Support	Young Carers	Barnardos	The project supports young people who help look after a member of the family who is sick, disabled, has mental health problems or is affected by substance misuse.	£101,462	£99,636
Disability Family Support	Maximising Income for Families with a Disability	CAB	The service maximises the income of children and families with disabilities, improves their access to services to meet their needs, and provides financial assistance with regards to financial exclusion and debt	£40,112	£39,390
Disability Family Support	Serennu Play	Sparkle	Multi-agency Family Support Provision for Children and Young People with a Disability or Developmental Difficulty, and provides a specialist play provision for those aged 0 – 18 years.	£39,974	£39,254

The total external budget for 18/19 has been significantly reduced due to:

- An overall 1.8% decrease in the grant from Welsh Government
- the decommissioning of the Family Skills Project and Family Forest Centre which equates to £360,690.00 due to refocusing of the Families First Programme and a reduction of £23,000.00 for the budget for Family Wellbeing (this includes the 1.8% cut in the grant i.e. £6267.00, and the remainder has been used to support internally delivered Families First services).

All costs above will be met through the Families First Grant (now Flexible Funding).

## Risks

<b>Risk</b>	<b>Impact of Risk if it occurs* (H/M/L)</b>	<b>Probability of risk occurring (H/M/L)</b>	<b>What is the Council doing or what has it done to avoid the risk or reduce its effect</b>	<b>Who is responsible for dealing with the risk?</b>
If the contracts are not extended - the non-delivery of services	High – The Authority would then need to complete a full tender process which will take a maximum of six months.	Medium/Low The Lead agencies have informally indicated they wish to continue with the contracts for a further year	Maintain an active dialogue with Strand leads and commence negotiations regarding services as soon as possible	Families First programme Manager
Lack of cooperation by projects leading to new Families First Programme not being achieved	H	M	Close working continues with Projects concerned and relevant support provided where necessary	Families First Programme Manager
Non-compliance to the performance requirements of the WG, resulting in less funding being received	High -	High -	Work with Lead Agencies to ensure delivery is agreed and starts from April 1 <sup>st</sup> 2018	Families First programme Manager
Reduction in Project budgets now and in the future reduce services available to families therefore increasing poverty in the city	H	L	Projects delivering directly to families have been prioritised.	Families First Programme Manager

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

The Families First contracts are a part of the £2,384.663.00 Families First Grant which is funded by the Welsh Government under the Flexible Funding initiative, for which Newport is a Full Flexibility Pathfinder.

## Options Available and considered

The Cabinet Member could decide to not issue any contracts under Families First for the 2018/19 period which would mean that there would not be any services available during that time for families. This would result in an increased need for statutory services during that time and internal members of staff would need to be redeployed into other work.

As current contracts for Families First are due to expire on 31<sup>st</sup> March 2018, the Cabinet Member could seek to recommission the whole programme from April 1<sup>st</sup>. It is now not possible to do this fully, within the timescale.

## **Preferred Option and Why**

The preferred option is for the Local Authority as the Grant Holder to seek a Cabinet Member decision to waive contract standing orders to extend the current contracts relating to Families First. However as the disaggregated value of the contracts are below the OJEU 'Light Touch Regime for Social and other specific services (Regulation 74) threshold of £615K we are seeking approval to extend them for a further year.

## **Comments of Chief Financial Officer**

There is no adverse financial impact in implementing this proposal. Newport City Council has been awarded Full Flexibility Pathfinder status under the new Flexible Funding arrangements and so extending these contracts for one year will allow for a full review of the programme in 2018/19. The values of the individual Families First contracts are below the OJEU 'Light Touch Regime for Social and other specific services (Regulation 74) threshold of £615K so there is no legal requirement for the Council to tender them in accordance with the Public Procurement Regulations Act 2015

The Full Flexibility pathfinder will give 100% flexibility across grants in order to achieve increased programme alignment, make more effective use of funding and meet local needs. There are staffing implications within Newport City Council and with external providers if these contracts are not extended.

Under Contract Standing Orders, this will need to be reported to the Audit Committee and justification reviewed there, in addition to this decision making process. This does not stop the CM making a decision at this time – it will be reviewed and scrutinised retrospectively.

## **Comments of Monitoring Officer**

The proposed extensions to the current Families First contracts for a further period of 12 months as from 1<sup>st</sup> April 2018, will enable the current services to be delivered, pending a wholesale review of the commissioning of these services in the light of the new flexible funding arrangements. These 12 month contract extensions are not covered by the terms of the existing contracts and, therefore, will constitute a direct award to the providers, without any competitive tendering. However, the values of the contracts are below the OJEU threshold of £615K under the "Light Touch" Regime for social care services. Therefore, there is no legal requirement for the Council to tender them in accordance with the Public Contracts Regulations. However, Contract Standing Orders will need to be formally waived in order to allow for this. This will need to be done as a matter of urgency because the current contracts expired as at the end of March 2018 and there is insufficient time for pre-decision consultation or post-decision call-in. Therefore, if the Cabinet Member agrees to waive Standing Orders urgently to allow for the contract extensions, then the reason for the urgency will need to be reported to Audit Committee in due course.

## **Comments of Head of People and Business Change**

The Families First Programme helps to meet various sustainable development duties under the Well-being of Future Generations (Wales) Act 2015, in particular the prevention and collaboration duties.

The ethos of Families First Programme is preventative. It helps, advises and supports families to prevent any issues or problems from getting worse, dealing with the root cause of problems to enable families to make progress after the support has ended. The Newport programme is truly collaborative with partner organisations working together to deliver the six Families First strands. Families are very much involved in the decisions that affect them and regular engagement events take place to gather the views of families.

From an HR perspective if the decision is to not extend contracts of employment, we need to be mindful of due process when ending employment contracts. Particularly those employees who have rights to a redundancy payment or those employees who have 2 years or more service. Consultation has been ongoing with staff regards cessation of funding however if contracts are required to end on 31 March 2018, then relevant notice periods will be required to be paid in lieu.

## **Comments of Cabinet Member**

The report author is to confirm that the Cabinet Member has approved the report.

## **Local issues**

Not Applicable

## **Scrutiny Committees**

Not applicable

## **Equalities Impact Assessment and the Equalities Act 2010**

Not applicable

## **Children and Families (Wales) Measure**

This Measure placed a duty on Welsh Ministers, local authorities and other public bodies to set specific objectives for tackling child poverty and to publish child poverty strategies. Families First Programme came into being as a result of this Measure and is one of the Welsh Government's anti-poverty programmes.

## **Wellbeing of Future Generations (Wales) Act 2015**

Long term: The extension of these contracts will support families to avoid becoming engaged with statutory services thus preventing long term needs escalating.

Prevention: Families First is a prevention and early intervention Programme

Integration: The services provided by Families First are family centred and provided following an assessment of individual need. The Team Around the Family meeting is an integrated meeting with all professionals present and the resulting Action Plan is agreed and owned by the family. Therefore the family will be assisted to realise their potential in all aspects of life across the Wellbeing Goals (economic, social, cultural and environmental)

Collaboration: Families First provision as a whole is a collaboration between 5 different services within NCC and works in collaboration with health, police, schools, Newport Mind, Barnardo's, CAB, GAVO, Newport Live under the governance of the PSB.

Involvement: Families First holds regular Engagement days with Parents and Families in Newport (the last was on Feb 23<sup>rd</sup> 2018) in the City Centre and activities are devised to particularly include hard to reach families. As a whole Families First utilises a multi-agency engagement process with families recording their views and completing Distance Travelled Tools at different stages of their involvement. We have also had a Review of services provided by Families First carried out by the IPC, where over 60 families were involved in giving feedback about the Programme

## **Crime and Disorder Act 1998**

1Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

## **Consultation**

Comments received from wider consultation, including comments from elected members, are detailed in each application report in the attached schedule.

## **Background Papers**

None

Dated: 16 May 2018

## **Appendix A**

# **Decision Schedule**



## **Cabinet Member for Community & Resources**

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### **TO ALL MEMBERS OF NEWPORT CITY COUNCIL**

#### **Decision Schedule published on 16 May 2018**

The Cabinet Member took the following decision/s on 16 May 2018. I will take immediate effect. The reason for this is that in October 2017 Newport discovered it was to become an early adopter of Welsh Government's new grant funding initiative Flexible Funding from 1 April 2018. Little information however, was made available on how this new fund was to operate and the recommissioning of Families First, which was already in progress, was put on hold until a fuller understanding of how the funding would impact the service was understood. The current Families First contracts were due to expire on 31 March 2018 and as all extensions within the existing contract terms were exhausted it was being requested that Contract Standing Orders be waived so an extension for a further year be granted. This extension would allow a further review of the programme in accordance with the Flexible Funding guidance and result in either recommissioning services or commissioning new services from 1 April 2019.

The decision is not subject to the 'Call-in' Process.

In accordance with Standing Order 24 – Urgent Matters, this matter will be forwarded to the Audit Committee.

In accordance with reports relating to staffing issues/confidential reports are not circulated to all members of the Council as part of the consultation/Call-in Process.

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#### **C&R 04/18**

#### **Families First Programme**

#### **Options Considered/Reasons for Decision**

If urgent approval was not given to a waiver of Contract Standing Orders, current services would not be in place for the start of the new financial year and vulnerable families already receiving the services would be left without support. There is also a risk that all the money for 2018- 2019 available under the Families First grant (within the Flexible Funding allocation) would not be spent in line with the spending profile, which could result in ultimately losing money from the overall programme.

As all of the extensions to the external contracts permitted within Contract Standing Orders were exhausted, a Cabinet Member decision would be required to waive Contract Standing Orders for this proposed extension. The values of the individual Families First contracts were below the OJEU 'Light Touch Regime' for Social and other specific services (Regulation 74) threshold of £615K so there was no legal requirement for the Council to tender them in accordance with the Public Procurement Regulations Act 2015 and therefore we were seeking approval to extend them for a further year.

#### **Decision**

To approve the waiving of Contract Standing Orders to extend the Families First contracts with the organisations named within the report until 31 March 2019.

To take this decision urgently as it was so urgent that it could not go through the Council's agreed consultation process and/or must be implemented immediately and therefore not subject to the Council's call in procedures for the reasons set out under 'Reasons for Urgency' above."

**Consultation**

Head of Law and Regulation, Head of People and Business Change, Head of Finance

**Implemented By: Head of Regeneration, Investment & Housing**  
**Implementation Timetable: Immediate**

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COUNCILLOR D MAYER, CABINET MEMBER FOR COMMUNITY & RESOURCES

16 May 2018

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# Report

## Audit Committee

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### Part 1

Date: 22 November 2018

Item No: 10

**Subject** Internal Audit – Progress against audit plan 2018/19 Quarter 2

**Purpose** To inform Members of the Council's Audit Committee of the Internal Audit Section's progress against the 2018/19 agreed audit plan for the first 6 months of the year and for information on audit opinions given to date and progress against key performance targets.

**Author** Chief Internal Auditor

**Ward** General

**Summary** The attached report identifies that the Internal Audit Section is making good progress against the 2018/19 audit plan and internal performance indicators.

**Proposal** 1) The report be noted by the Council's Audit Committee

**Action by** The Audit Committee

**Timetable** Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change

**Signed**

## Background

1. This report aims to inform Members of the Audit Committee of progress of work undertaken by the Internal Audit Section of the Council against the agreed audit plan. Progress against the audit plan for the first 6 months of the year will be reported.
2. The report gives Members assurance (or otherwise) on the adequacy of the internal control environment operated within the Council by providing the audit opinions on work undertaken at the end of Q2.

### Internal Audit Staffing

3. The team currently operates with an establishment of 8 audit staff. At the start of the year there were 8 audit staff in the team, reduced to 7 during Q2 due to an internal promotion.
4. In order to take account of the budget savings contribution and the delayering exercise required by senior management following the job evaluation exercise, the Internal Audit team was restructured in 2016/17.
5. The relationship with Monmouthshire County Council (for sharing of the Chief Internal Auditor) continues.

### Audit Plan

6. The Public Sector Internal Audit Standards (PSIAS) (IIA) came into force from April 2013 (updated March 2017) which the team needs to ensure it is compliant with as it carries out work in line with the Audit Plan. These standards replace the former Code of Practice for Internal Audit within Local Government (CIPFA).
7. A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option of a peer review in order to meet the requirements of this external assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Newport's peer review took place in 2017/18; the outcome being that the team is generally compliant with the Standards, with no significant areas of non-compliance; this is the highest standard of compliance.
8. The 2018/19 Draft Audit Plan was agreed by the Audit Committee on the 28<sup>th</sup> March 2018 with the Final being approved on the 24<sup>th</sup> May 2018.

### Performance

9. The Audit Section's performance is measured against planned work, which incorporates externalities like special investigations, financial advice and financial regulations training. Where actual time taken for the review exceeds planned time there will be an impact on the audit plan. Ad-hoc reviews requested by management cannot be planned for but will have an immediate impact on the achievement of the audit plan; we will endeavour to minimise these throughout the year. The section has been involved with minimal time consuming special investigations so far this year but if this increases significantly it could have an impact on this year's achievement of the audit plan; so far there have been no unplanned reviews.
10. The section's performance is measured against performance indicators set and agreed by the Welsh Chief Auditors' Group. Performance against these indicators is reported to the Audit

Committee on a quarterly basis; the targets for each of the indicators are set internally by the Chief Internal Auditor.

11. The performance for Quarter 2 2018/19 is summarised below with the detail shown at **Appendix A**:
  - a. 36% of the audit plan has been achieved so far which is higher than the profiled target of 30%;
  - b. The promptness of issuing draft reports (comparing timescale between finalising all fieldwork and issuing the draft report to management) averages at 9 days which is below the target time of 10 days;
  - c. The promptness of report finalisation (comparing timescale from meeting with client to discuss issues raised in the draft report to issue of finalised report to management) averages 3 days which is within the target time of 5 days.
12. Coverage of the plan at this stage of the year is above expectations; the target being 30% for Quarter 2. The team has now been involved with a number of special investigations. Although performance may dip throughout the year, historically things have picked up in the final quarter; this year will depend on sufficient audit resources being available to complete the audit plan. All key financial systems will be reviewed by the year end.
13. 19 days have been spent finalising 17 2017/18 audit reviews; all of which have now been finalised.
14. A vacancy / secondment provision was taken into account in the planning stage which related to the Chief Internal Auditor's work with Monmouthshire.
15. Inevitably there will be some overruns on reviews undertaken within the team which may result in not as many reviews being undertaken as were planned for the year, but there has been a significant improvement in this over previous years.
16. From time to time the team does get involved with non-planned audit work which often results in special investigations.

#### Quality Control

17. On completion of all audit reviews, an evaluation questionnaire is sent out to the service manager with the final report. This gives the manager who has been audited an opportunity to comment on the audit review itself, confirming (or not) that it was of benefit to their service and that the main risks had been covered; the staff, their approach, constructiveness and helpfulness; the report, covering the benefits of discussing the draft report, whether the balance was right via the inclusion of strengths and weaknesses, whether management comments were correctly reflected and if the report format was easy to follow. These questionnaires are returned in confidence to the Chief Internal Auditor who will assess the comments and address any criticisms. Generally, there has been positive feedback from service managers via these questionnaires; this will continue to be collated throughout the year and fed into the annual audit report for 2018/19.

#### Financial Training

18. In the Audit Section's continued efforts to ensure that Council's assets are safeguarded and to provide assurance to management that their internal controls are robust, further training

specifically on financial regulations and contract standing orders is offered to all service areas. An overview of financial management is also part of the Corporate Induction Programme and the course is also available on a self-nomination basis, quarterly, as part of the Corporate Training Programme. Feedback from staff who have attended courses has been positive. During this year the financial training is continuing to be targeted to areas of previous poor performance, in line with the agreed protocol for dissemination of good practice.

19. The training programmes will continue throughout the year; 6 sessions have been delivered up to the end of Q2 to 160 delegates.

#### Audit Opinions 2018/19

20. Audit opinions issued so far in 2018/19 are shown at **Appendix B**. Definition of audit opinions currently given is shown at **Appendix D**.
21. 17 jobs completed to at least draft report stage by 30 September 2018 warranted an audit opinion: 2 x *Good*, 11 x *Reasonable*, 3 x *Unsatisfactory* and 1 x *Unsound*. In addition 5 grant claim audits have been undertaken during the year; 4 were *Unqualified*, 1 was *Qualified*. Other work completed related to the Annual Governance Statement, National Fraud Initiative (NFI), provision of financial advice and training (**Appendix C**).
22. The audit opinion relates to the adequacy of internal controls within the system or establishment being reviewed. The opinion is derived from the balance of strengths and weaknesses identified from evidence obtained, and testing undertaken, during the audit. Where the auditor believes that any issues identified are the result of a deliberate action and may be in breach of the Disciplinary Code or Employee Code of Conduct, further investigations will be carried out and action taken as appropriate.

#### Service Management Responsibilities

23. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by incorporating their agreed actions into the audit reports. When management sign off the reports they are accepting responsibility for addressing the issues identified within the agreed timescales.
24. Although Heads of Service are responsible for implementing and maintaining adequate internal controls within service areas, operational managers are responsible for working within those controls and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

#### Follow up audit reviews

25. Where unsatisfactory and unsound opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved. These are reported separately to this Audit Committee on a six-monthly basis.

#### **Financial Summary**

26. There are no financial issues related to this report.

## Risks

27. If the plan is not completed due to a lack of resource in the team, the Chief Internal Auditor may have to qualify his year end assurance opinion provided to the Audit Committee.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Audit Plan not completed	M	M	Passed potential management issues back to management	Chief Internal Auditor

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

28. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision, looking after the public pound makes our City a better place to live for all our citizens.

- To make our city a better place to live for all our citizens
- To be good at what we do
- To work hard to provide what our citizens tell us they need

## Options Available

29. This is a factual progress report and therefore there are no specific options, as such. The quarterly reports provide a mechanism for monitoring the performance and progress of the Internal Audit team and the adequacy of the Council's internal control environment to ensure the public pound is spent wisely and appropriately and that fraud, theft and corruption is minimised.

30. The Audit Committee is asked to note progress on delivery of the audit plan and audit opinions given to date and ask questions, make observations and recommendations, as necessary.

## Preferred Option and Why

31. N/A

## Comments of Chief Financial Officer

32. I can confirm that I have been consulted and have no additional comments.

## Comments of Monitoring Officer

33. There are no legal implications. The Report has been prepared in accordance with the Council's internal audit procedures and the Performance Management framework. The progress made to date in delivering the objectives set out in the approved Audit Plan highlights the effectiveness of the work undertaken by this service area in ensuring that adequate and effective internal financial controls are in place.

## **Staffing Implications: Comments of Head of People and Business Change**

34. In terms of Corporate Policy & Performance, the report presents a review of audit activity during the period concerned and is set out in the context of performance framework. Clearly the work of the audit team is critical in giving assurance that the work of the Council is being undertaken within the set policies and procedures. It is also critical in ensuring that the organisation meets its statutory responsibilities under the Well-being of Future Generations Act (2015).

## **Comments of Cabinet Member**

35. N/A

## **Local issues**

36. N/A

## **Consultation**

37. N/A

## **Background Papers**

38. N/A

Dated:

**Appendix A**

**Newport City Council**

**Internal Audit Service**

**Performance Indicators**

<b>2017/18</b>	<b>2017/18 Target</b>	<b>1<sup>st</sup> Qtr 17/18</b>	<b>2<sup>nd</sup> Qtr 17/18</b>	<b>3<sup>rd</sup> Qtr 17/18</b>	<b>4<sup>th</sup> Qtr 17/18</b>	<b>Comments</b>
Proportion of planned audits complete	80%	21%	35%	54%	84%	[Profiled Target 10%]
Proportion of planned audits complete within estimated days	65%	N/A	50%	73%	68%	Cumulative figures
Directly chargeable time against total time available	50%	52%	63%	64%	62%	Quarterly performance
Directly chargeable time against planned	84%	62%	92%	84%	91%	Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	N/A	100%	100%	100%	Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	11	2	4	6	9	Cumulative figures
Staff turnover rate (number of staff)	1	1	0	0	0	Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	4 days	13 days	16 days	14 days	Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	8 days	6days	4 days	4 days	Cumulative figures

<b>2018/19</b>	<b>2018/19 Target</b>	<b>1<sup>st</sup> Qtr 18/19</b>	<b>2<sup>nd</sup> Qtr 18/19</b>	<b>3<sup>rd</sup> Qtr 18/19</b>	<b>4<sup>th</sup> Qtr 18/19</b>	<b>Comments</b>
Proportion of planned audits complete	82%	20%	36%			[Profiled Target 30%]
Proportion of planned audits complete within estimated days	65%	50%	56%			Cumulative figures
Directly chargeable time against total time available	50%	59%	59%			Quarterly performance
Directly chargeable time against planned	84%	92%	92%			Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	N/A	100%			Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	11	3	6			Cumulative figures
Staff turnover rate (number of staff)	1	0	1			Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	3 days	9 days			Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	2 days	3 days			Cumulative figures

**Appendix B**  
**Opinions as at 30 September 2018, Qtr 2**

Good	2
Reasonable	11
Unsatisfactory	3
Unsound	1
Total	17

**Internal Audit Services - Management Information for 2018/19 Q2**

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Complete when FINALISED	Opinion
P1819-6	CE	Finance	Income Collection	Council Tax	Medium	Draft	Good
P1819-85	People	Education Service	Secondary Schools	St Joseph's High	Medium	Finalised	Good
P1819-3	CE	Finance	Accountancy	Income Returns	Medium	Draft	Reasonable
P1819-8	CE	Finance	Procurement	Petty Cash / Imprest Accounts	Medium	Draft	Reasonable
P1819-14	CE	People & Business Change	Business Improvement & Performance	Performance Indicators	Medium	Draft	Reasonable
P1819-16	CE	People & Business Change	Human Resources	Members' Allowances	Medium	Finalised	Reasonable
P1819-17	CE	People & Business Change	Human Resources	Payroll CAATs	Medium		Reasonable
P1819-49	Place	RI&H	Community Regeneration	Families First	High	Finalised	Reasonable
P1819-55	Place	RI&H	Housing, Regeneration & Property	Housing Needs (Common Register)	Medium	Finalised	Reasonable
P1819-77	People	Education Service	Primary Schools	Milton Primary (PAR) (2017/18)	Medium	Finalised	Reasonable
P1819-79	People	Education Service	Primary Schools	Maindee Primary	Medium	Draft	Reasonable
P1819-80	People	Education Service	Primary Schools	Pillgwenlly Primary	Medium	Draft	Reasonable
P1819-84	People	Education Service	Secondary Schools	Llanwern High (Follow-Up)	High	Draft	Reasonable




Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Complete when FINALISED	Opinion
P1819-19	CE	People & Business Change	Digital & Information	General Data Protection Regulation (GDPR)	High	Draft	Unsatisfactory
P1819-21	CE	People & Business Change	Digital & Information	Subject Access Requests	Medium	Draft	Unsatisfactory
P1819-68	Place	Streetscene & City Service	Waste & Cleansing	Street Cleansing	High	Finalised	Unsatisfactory
P1819-73	People	Education Service	Inclusion	Bridge Achievement Centre (PRU)	High	Draft	Unsound
P1819-36	People	Adult & Comm Service	Service Development & Commissioning	Supporting People Programme Grant (SPPG) Certification (Outcomes)	Medium	Finalised	Unqualified
P1819-37	People	Adult & Comm Service	Service Development & Commissioning	Supporting People Programme Grant (SPPG) Certification (Finances)	Medium	Finalised	Unqualified
P1819-46	CE	Law & Regulation	Public Protection	Scambusters Grant Claim 2017/18	High	Finalised	Unqualified
P1819-76	People	Education Service	Education Grants	Pupil Deprivation Grant 2017/18	Medium	Draft	Unqualified
P1819-75	People	Education Service	Education Grants	Education Improvement Grant 2017/18	High	Draft	Qualified

## Appendix C

### Non Opinion work 2018/19 Q2

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority
P1819-10	CE	Finance	General	Annual Governance Statement	Not applicable
P1819-12	CE	Finance	General	Financial Advice	Not applicable
P1819-23	CE	People & Business Change	General	Financial Advice	Not applicable
P1819-24	CE	People & Business Change	General	Financial Regulations Training	Not applicable
P1819-31	People	Children & Young People Service	General	Financial Advice	Not applicable
P1819-39	People	Adult & Comm Service	General	Financial Advice	Not applicable
P1819-47	CE	Law & Regulation	General	Financial Advice	Not applicable
P1819-56	Place	RI&H	General	Financial Advice	Not applicable
P1819-69	Place	Streetscene & City Service	General	Financial Advice	Not applicable
P1819-88	People	Education Service	General	Schools Financial Regulations Training	Not applicable
P1819-89	People	Education Service	General	Financial Advice	Not applicable

**INTERNAL AUDIT SERVICES – OPINION DEFINITIONS**

	<b>GOOD</b>	<b>Well controlled with no critical risks identified which require addressing; substantial level of assurance.</b>	<b>Green</b>
	REASONABLE	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.	Yellow
	UNSATISFACTORY	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.	Amber
	UNSOUND	Poorly controlled; major risks exists; fundamental improvements required with immediate effect.	Red

Unqualified	<p>The Financial Statement is free from material misstatement and presents fairly the activities of the organisation.</p> <p>The terms and conditions of the grant funding have been complied with.</p>
Qualified	<p>There is a lack of supporting information or documentation to verify that that figures quoted in the Financial Statement fairly represent the activities of the organisation.</p> <p>The terms and conditions of the grant funding have not been fully complied with.</p>

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# Report

## Audit Committee

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### Part 1

Date: 22 November 2018

Agenda Item: 11

**Subject** Work Programme

**Purpose** To report the details of this Committee's work programme.

**Author** Governance Officer

**Ward** General

**Summary** The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

This report presents the current work programme to the Committee for information and details the items due to be considered at the Committee's next two meetings.

**Proposal** The Committee is asked to endorse the proposed schedule for future meetings, confirm the list of people it would like to invite for each item, and indicate whether any additional information or research is required.

**Action by** Audit Committee

**Timetable** Immediate

This report was prepared after consultation with:

- Head of Law and Regulation
- Head of Finance
- Head of Human People and Business Change

## Background

The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

Attached at Appendix 1 is the forward work programme for this Committee. Below are the items scheduled to be presented at the Committee's next two meetings. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item, and indicate whether any additional information or research is required.

<b>24 January 2019</b>
Internal Audit Plan – Progress (Quarter 3)
Treasury Management Report
Corporate Risk Register (Considered by Cabinet in Jan)
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Referrals to Audit Committee

<b>28 March 2019</b>
Annual Audit outline for the 2018/19 Financial Audit
WAO Annual Report on Grants Works 2017-18
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December)
Annual Governance Statement (draft statement)
Member Development Self Evaluation Exercise
Referrals to Audit Committee

## Financial Summary

Please see comments from Chief Financial Officer below.

## Risks

If proper work programming procedures are not put in place, the organisation and prioritisation of the work programme is put at risk. The work of the Audit Committee could become disjointed from the work of the rest of the Council, which could undermine the positive contribution Audit Committee makes to service improvement.

This report is presented to each Committee every month in order to mitigate that risk. The specific risks associated with individual topics on the work programme will need to be addressed as part of the Committee's investigations.

## **Comments of Chief Financial Officer**

There will be financial consequences for some of the reviews undertaken. These will be commented upon as the reports are presented. The preparing and monitoring of the work programme is done by existing staff for which budget provision is available.

## **Comments of Monitoring Officer**

I have no comments, as there are no legal implications.

## **Staffing Implications: Comments of Head of People and Business Change**

There are no staffing implications within this report. Any staffing implications of the reviews in the work programme will need to be addressed in individual reports.

## **Background Papers**

None.

**(Audit Committee to meet every other month unless circumstances dictate otherwise)**

<b>24 May 2018</b>
Appointment of Chairman
Internal Audit Annual Report 2017/18
Internal Audit Annual Plan 2018/19
Annual Governance Statement
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 4, Jan to March)
Corporate Risk Register Update (considered by Cabinet in April)
Regulatory Reports
Treasury Management covering the Financial Year 2017/18
Referrals to Audit Committee
<b>21 June 2018</b>
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Call in Head of Service, Regeneration, Investment & Housing – Standing Order 24 (Urgent Decisions) Quarter 4 – January – March 2018
Draft Financial Accounts 2017/18
Audit Enquiries Checklist 2017/18
Referrals to Audit Committee
<b>20 September 2018</b>
Progress Against Internal Audit Plan 2018/19 – Qtr 1
Call in Head of Streetscene & City Services to respond to Unsatisfactory Audit Opinions within Streetscene
Call in Head of Regeneration, Investment & Housing – SO24/Waiving of Contract Standing Orders: Quarterly report reviewing Cabinet/CM Urgent Decisions or Waiving Contract SOs (Quarter 1 April – June 2018)
Public Sector Internal Audit Standards – External Review
Statement of Accounts 2017-18
Audit of Financial Statements Report 2017-18
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 1, April to June)
Corporate Risk Register Update (Considered by Cabinet in September)
Report on Audit Committee Self Evaluation Exercise
Referrals to Audit Committee



<b>22 November 2018</b>
Internal Audit Plan 2018/19 – Progress (Quarter 2)
Wales Audit Office – Final Accounts Memorandum
Call in Head of Regeneration, Investment and Housing – SO24/Waiving of Contract Standing Orders: Quarterly Report Reviewing Cabinet/CM Urgent Decisions or Waiving Contract Standing Orders
Treasury Management Report
Lessons Learned 2017/18
Corporate Risk Register

<b>24 January 2019</b>
Internal Audit Plan – Progress (Quarter 3)
Treasury Management Report
Corporate Risk Register (Considered by Cabinet in Jan)
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Referrals to Audit Committee

<b>28 March 2019</b>
Annual Audit outline for the 2018/19 Financial Audit
WAO Annual Report on Grants Works 2017-18
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December)
Annual Governance Statement (draft statement)
Member Development Self Evaluation Exercise
Referrals to Audit Committee

<b>Unallocated work (Dates to be agreed)</b>

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